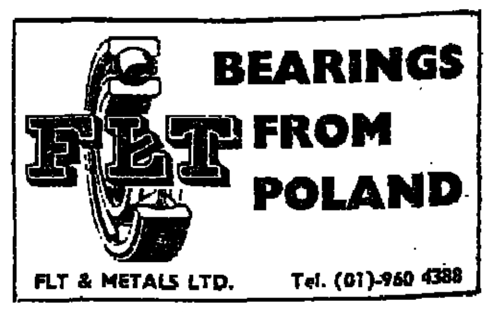
FINANCIAL TIMES

No. 27,151 Thursday December 16 1976 **10p

CONTINENTAL SELLING PRICES: AUSTRIA Sch.15; BELGIUM Fr.22; DENMARK Kr.3; FRANCE Fr.2.50; GERMANY DM1.70; ITALY L.400; NETHERLANDS Fl.1.75; NORWAY Kr.3; PORTUGAL Esc.17.50; SPAIN Pts.35; SWEDEN Kr.2.75; SWITZERLAND Fr.1.70.



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Budget Summary

Spending cut by £1bn.

PUBLIC SPENDING programmes reduced by £1bn. next year and £1.5bn. in 1978-79. Cuts will hit food subsidies, roads, new housing, school building. Nationalised industries to reduce level of Government financing required by cutting spending and raising prices, notably by a gas price increase in April. Details of cuts below.

BORROWING: Aim is to reduce public sector borrowing requirement (PSBR) by £2bn. to £8.7bn. in 1977-78 and by £3bn. to about same level in following year. Domestic credit expansion (DCE) expected to fall from £9bn. this year to £7.7bn. in 1977-78 and to £6bn. in 1978-79. Growth in money supply (M3) for this year forecast at 9-13 per cent. Future targets to be set in terms of DCE, not M3.

IMF LOAN of $3.9bn. expected to be agreed "in a matter of days after end of year;" $1.15bn. available immediately thereafter; over $1bn. more before end of 1977. In meantime, $500m. swap facility offered by U.S., $350m. standby credit by Germany.

BP SHARES: Government holdings of BP shares reduced from 68 per cent. to 51 per cent. of total. Sale will cut PSBR in 1977-78 by about £500m.

DRINK AND TOBACCO duties to rise 10 per cent. Increased tax charged on standard measures will be about: beer 1p a pint; spirits 31p a bottle; wine 5p; fortified wine 7p; filter cigarettes 4p for 20. Additional revenue £50m. this year, £280m. 1977-78. Effect on retail price index: "rather over ½ per cent."

INDUSTRY: Regional employment premium withdrawn to save £150m. in 1977-78, £170m. in 1978-79; more money for National Enterprise Board and Scottish and Welsh Development Agencies. New selective investment scheme with initial allocation of £100m. to be spent over period of years. Further money for sectoral schemes to cost £80m. in each of next two years.

UNEMPLOYMENT: Job creation programme and temporary employment subsidy, due to end shortly, to be extended to end of April when schemes to cut unemployment will be reviewed; £120m. more to be spent next year on cutting unemployment.

WHERE THE CUTS HIT

£ million at 1976 Survey prices	1977–78	1978–79
Defence	100	200
Overseas aid	50	50
Food subsidies	160	37
Regional employment premium	150	[illegible]
Refinancing of fixed rate credits	100	200
CFEs* for industrial training—capital	10	10
Nationalised Industries†	110	180
Road construction	75	50
Housing	20	300
Water—construction	75	130
Local environmental services—capital	50	50
Community ownership of land	35	35
Courts—site purchases	2	—
Education—construction	22	11
Other education	20	30
NHS—construction	10	20
Other NHS expenditure	5	5
Northern Ireland	5	10
Property Services Agency	27	45
Civil Service	30	10
TOTAL	1,016	1,513

* Colleges of Further Education, † Savings in requirements for Government finance.

Income-tax cuts hinge on pay deal • Drink and tobacco up

IMF chief backs package

BY PETER RIDDELL, ECONOMICS CORRESPONDENT

PUBLIC SPENDING cuts of £1bn. in the next financial year and increases of one-tenth in duties on alcohol and tobacco from January 1 were announced by Mr. Denis Healey, Chancellor of the Exchequer, yesterday, in conjunction withthe publication of the letter of application for the $3.9bn. loan from the International Monetary Fund.

Mr. Healey was able to tell the Commons that Dr. Johannes Witteveen, managing director of the IMF, supported both the Government's economic strategy and its measures and was prepared to recommend acceptance of the British request for a loan.

The arrangements are expected to be completed "in a matter of days after the end of the year." The loan will be made available over two years with $1.15bn. coming immediately and more than $1bn. further before the end of 1977.

Mr. Healey was not, however, able to be very specific about the future of the sterling balances though he indicated that talks among central bank Governors and with the U.S. Government had "revealed a general desire . . . to achieve a satisfactory arrangement for the sterling balances, and I believe it will be possible to reach an agreement before long."

Mr. Healey later said at a Press conference that a "great deal of progress" had been made at the central bank governors' meeting last week-end. But it is clear that the U.S. Government was not prepared to go any further on such talks until after agreement had been reached on the IMF loan.

The Chancellor's statement produced a favourable response last night both from Mr. William Simon, the outgoing U.S. Treasury Secretary, and from the EEC Commission in Brussels. A key test will, however, come in the foreign exchange market.

Mr. Healey said last night that the initial fall in sterling after the package "reflected the extent to which the market had discounted the measures."

Standby

Further support is to be provided "In anticipation of further drawings under the agreement with the IMF which will take place later in the year" (1977), with the reserves being strengthened by $500m. in the form of swaps from the U.S. Treasury and Federal Reserve Bank of New York and by a standby facility of $350m. from the Bundesbank.

The aim of the measures is to hold the public sector borrowing requirement to £8.7bn. in 1977-78. This compares with the Treasury forecast of £10½bn. before the package and the £9bn. projection made in July.

In addition to the proposed cut in public spending, this target is to be achieved by the sale during 1977-78 of part of the Government's stake in British Petroleum to raise £500m., though the State holding will remain at 51 per cent.

A lower cost of debt interest is also assumed while the revenue from the increase in alcohol and tobacco duties will be used to finance higher spending on incentives for industrial investment and to reduce unemployment.

The measures are in addition to the £1bn. spending cut and £1bn. rise in National Insurance contributions in 1977-78 announced in July.

Mr. Healey, as expected, made no changes in direct taxation, apart from indicating his intention to improve the tax treatment of employees resident in the U.K. but working abroad on increasing exports.

However, the Chancellor again linked the prospect of an income tax cut in the spring Budget with the talks on the next stage of the pay policy.

He said that, provided a suitable agreement was reached on wages and that the public sector borrowing requirement would not be pushed above £8.7bn., he proposed to "use the available margin to reduce the present burden of income tax which I believe to be too heavy."

Mr. Healey indicated later that "significant" reductions in income tax could be made with the emphasis at the top and bottom ends of the scale. "But if there is a wages explosion, it would mean increased taxation."

Mr. Healey gave no indication as to where he expected this margin to come from, so without any major alteration in the forecasts, there would have to be further fiscal changes.

He also said that he would be discussing with the TUC and other bodies the inter-relationships between changes in earnings, social security benefit, pension and rates of direct and indirect tax.

Mr. Healey who said that it "took some time to persuade the IMF that these were the right decisions," also outlined monetary targets which should allow a fall in interest rates. This decline might be "slow at first" with no substantial drop at any one time.

Monetary policy is in future to be monitored in terms of Domestic Credit Expansion rather than broadly defined money supply, M3, with a reiterated target of £9bn. for the year to mid-April 1977, and £7.7bn. in the following 12 months.

The latter application also makes it clear that if the methods of controlling the growth of bank credit produce a shift of the debt pattern, distorting the statistics, then the target for DCE will be adjused accordingly.

Mr. Healey claimed that the measures would have a favourable effect on employment and that while unemployment is still likely to rise next year, the increase will be smaller than would have otherwise have occurred. The package is expected to add less than 1 per cent. to the cost of living by the end of 1977.

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Healey speech Pages 8 and 9. • Letters of Intent to IMF Page 9. • Editorial comment Page 16. • Special articles Pages 10, 16 and 27.

Some Tory approval, but Labour MPs sceptical

BY RICHARD EVANS, LOBBY EDITOR

MR. DENIS HEALEY'S statement was received with qualified approval by the Conservative Front Bench, but with deep scepticism amounting to despair by many Labour MPs who did not share the Chancellor's optimism that the package would lead to economic solvency and a restoration of the Government's electoral fortunes.

There was no doubting the sullen hostility to the cuts by Labour MPs, and Ministers were clearly worried last night about the reaction from the trade union movement to the prospect of higher unemployment and an increase in the cost of living.

But to the relief of Ministers there will be no opportunity in Parliament for Opposition parties and Labour rebels to mount a sustained attack on the package. The Chancellor's statement will be debated next Tuesday, but the Tories will probably be inhibited from voting against the Government because of the effect on overseas opinion.

Urgent need

The Tribune Group of Left-wing MPs issued a ferocious statement attacking the Chancellor for his "appalling" package, which in no way reflected Labour priorities and policies. In particular, the Left criticised the proposed cut in the construction industry, which would create further unemployment, and the "shabby" cuts in overseas aid.

"This package bears no resemblance to any clear and coherent economic policy. All the available evidence conclusively shows the desperate and urgent need for a socialist strategy," the statement declared.

The Tribune Group meets in the Commons to-day, and the full Parliamentary Labour Party will later give both Mr. Callaghan and Mr. Healey what promises to be a rough grilling over a package many MPs see as the end of some of Labour's most cherished aspirations.

A bigger worry for Mr. Callaghan than the ritual protests of MPs will be the effect the package will have on Labour's already demoralised supporters in the country. The bleak economic and employment prospects and the cuts in public services outlined by the Chancellor will test party loyalty to the utmost.

With unemployment rising and inflation continuing at a high level, the Government will be vulnerable to Parliamentary by-elections in the coming months. The Tory leadership remains convinced that by-election victories will give them a good chance of forcing an election next year.

The Conservatives muted their criticism yesterday because of the effect an all-out attack could have overseas, but the scale of defence cuts was described by Sir Geoffrey Howe, Shadow Chancellor of the Exchequer, as "endangering national safety."

In general, Sir Geoffrey described the statement as more credible than in the past because it had been introduced on instructions from the International Monetary Fund. He welcomed the Government's "belated conversion" to the importance of the money supply and to achieving reductions in public spending.

Such Tory support served to confirm to Labour backbenchers the disastrous impact the package would have on the party's priorities.

Mr. Eric Heffer, MP for Walton, commented: "Many of us feel this is a very depressing day for the Labour movement." He called on Mr. Healey to consider his position.

Union reaction

Roy Rogers writes: Initial trade union reaction to the package was that the increased unemployment and higher prices that would stem from it would place an even greater strain on relations between the Labour Government and the TUC and make negotiation of the next pay guidelines more difficult.

Although there was a fairly muted response from Mr. Len Murray and Mr. Jack Jones, other members of the TUC general council were more scathing about the cuts.

The strongest condemnation came, predictably, from Mr. Alan Fisher of the National Union of Public Employees, whose members have been among the worst hit by previous measures.

He warned that in meeting the IMF conditions the Government had accepted a cheque which

Continued on Back Page

Pound and shares fall as the markets show disappointment

BY MICHAEL BLANDEN

THE POUND and share prices fell sharply yesterday afternoon as markets reacted with disappointment to the Chancellor's measures.

Ahead of Mr. Healey's speech sterling had risen to about $1.6880. But by the time he sat down it had already lost more than 2 cents. In early dealings in New York the pound fell further but later recovered to $1.6630.

The rate closed in London at $1.6680 for a fall of 80 points on the day, with the market suggesting that the authorities might have given some modest support.

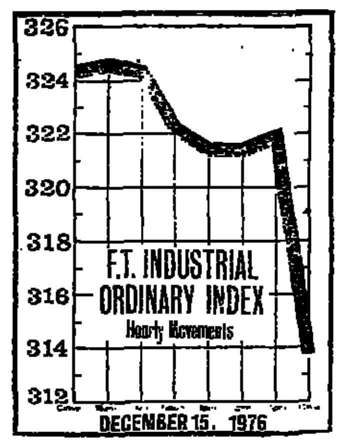
The stock market saw a similar reaction, with equity shares falling sharply in late dealings and the Financial Times ordinary index losing 10.5 points at 313.8. BP shares fell 16p to 720p after the news of the proposed official sale.

The gilt-edged market stopped dealings ahead of the speech with the FT Government securities index ending 0.05 higher at 58.92.

The tone of the markets was being set by sterling, with the exchange markets reporting some profit-taking after the buying which had taken place ahead of the package.

The initial feeling was that the measures were not tough enough to sustain confidence in the pound, although dealers recognised that the market might not yet have digested their full implications.

Sterlings' movements to-day are expected to influence the prospects of a cut in the Bank of England's minimum lending rate to-morrow; Money market rates yesterday were indicating a fall of ½ per cent. if maintained at the weekly Treasury bill tender.



Warm welcome from U.S.

BY JUREK MARTIN AND DAVID BELL

WASHINGTON, Dec. 15.

THE U.S. Administration warmly welcomed the British package to-day. Mr. Edwin H. Yeo, Under-Secretary for monetary affairs at the Treasury, said that the $500m. credit being offered to Britain was intended "to convey our support for the overall package which we think is an excellent one."

There was no official comment from the International Monetary Fund, whose board probably will ratify formally the British loan on January 3. The full board has not seen the letter of intent agreed between the Fund and Britain, but its outlines have been discussed by many of the directors.

Half of the U.S. credit is to come from the Treasury's Exchange Stabilisation Fund and the other half in the form of Federal Reserve swaps, but the length of time for which it will be made available appears to have been left deliberately vague for the moment. This suggests that the U.S. intends to keep a close watch on the progress of the British economy in the months ahead.

The absence of any statement on the sterling balances indicates that the British Government still has some way to go in formulating its own attitudes to the problem of their resolution.

It also suggests that the outgoing Ford administration may have concluded that it would be impossible to settle such a complex problem in the limited time left to it and that it would be best left to the incoming Carter Government.

However, Fund sources believe that some statement about the balances may follow the Paris meeting of the Group of Ten next week, and the U.S. remains committed in principal to some talks about the balances in due course.

It is argued here that the initial foreign exchange market reaction to the package, which appeared to be indicating that it was too mild, will turn out to have been wrong.

In this respect, attention is drawn to the "fine print" of the agreement with the IMF, which may not attract so much attention as the cuts in spending themselves but which actually impose fairly strict financial disciplines on Britain for a two-year period. The formal linking of the public sector borrowing requirement to the gross domestic product is seen as one indication of this.

NEWS SUMMARY

Compromise sought after pit ballot

The miners' early retirement campaign has moved into its most crucial stage after yesterday's 78 per cent. ballot vote in favour of industrial action. Moderates in the National Union of Mineworkers hope they will be able to secure an acceptable compromise with the National Coal Board without having to use the weapon handed to them by their members. Back and Page 8

Two-year wages policy suggested

The Government should consider making the next stage of the wages policy, due to begin next July, run for two years, it is argued to-day in the latest issue of the Bank of England Bulletin. The Bank questions whether all the necessary wage adjustments can be made in one year. Back and Page 7

South Africa loan

Barclays Bank South African subsidiary is to invest R10m. (£6.6m.) in National Defence Bonds, launched to help finance South Africa's soaring defence budget. Back Page

Premier snubbed

Labour's Left-dominated National Executive Committee dealt the Prime Minister a stinging rebuff when, by 15 votes to 2, it confirmed the appointment of Mr. Andy Bevan, 24-year-old Trotskyist, as the party's new youth officer. Back Page

Aintree reprieve

Courtaulds has reprieved its Aintree warp-knitting plant at Liverpool after a large majority of the labour force accepted the company's request for co-operation in achieving higher levels of productivity. Page 11

Laker success

The Appeal Court ruled that Mr. Peter Shore, the former Trade Secretary, exceeded his powers in taking away Laker Airways Skytrain licence to run cheap-fare flights across the North Atlantic.

Traces of tritium, a radio-active gas, have been found on the beach near Windscale nuclear plant, said Mr. Anthony Wedgwood Benn, Energy Secretary.

Wall Street closed 3.16 up at 953.79.

Police constable, 19, was shot dead in Portadown, Co. Armagh.

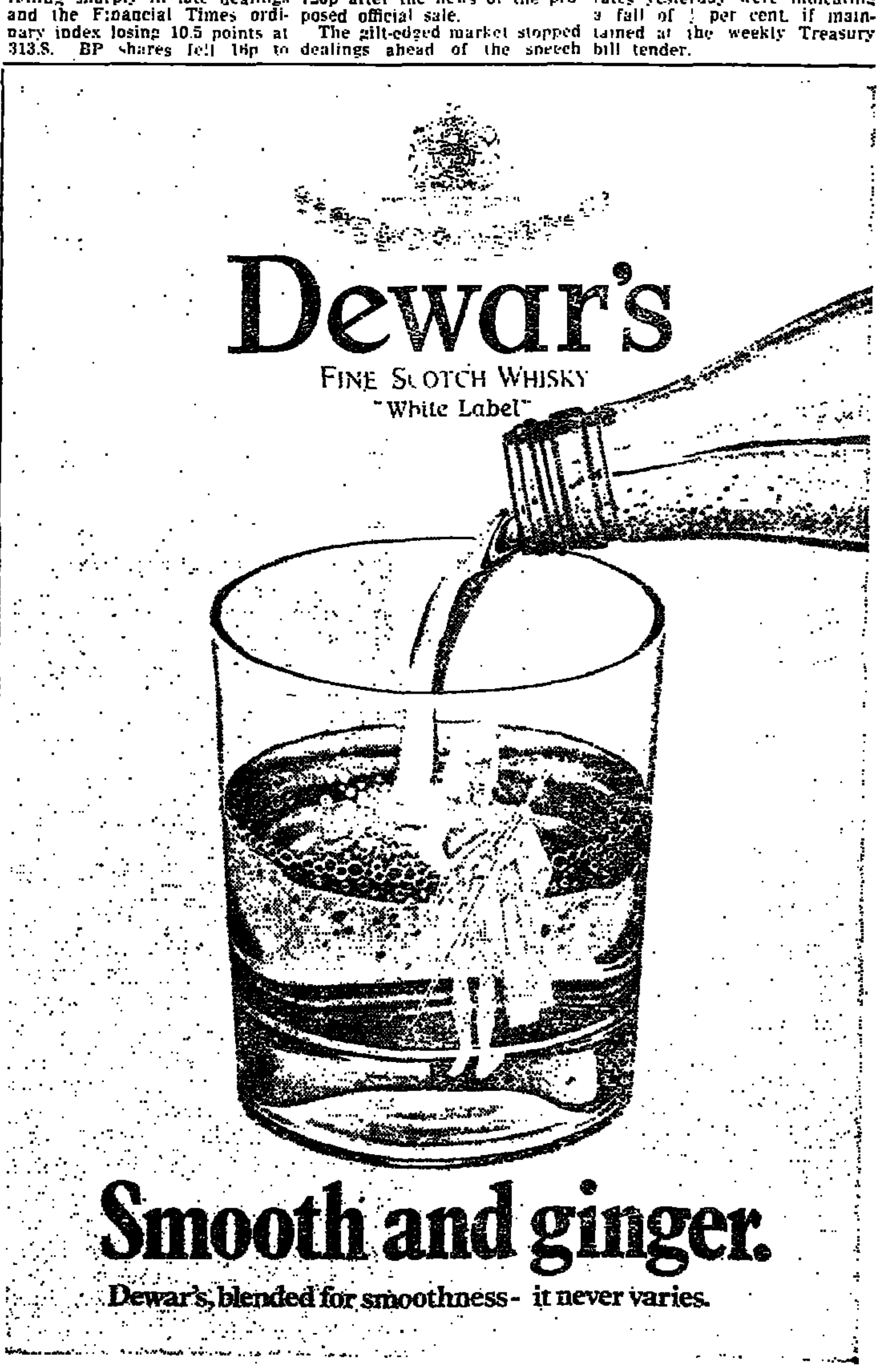
CHIEF PRICE CHANGES YESTERDAY

(Prices in pence unless otherwise indicated)

RISES:		
Braithwaite	118	+ 5
Christy Bros.	30	+ 3
Dunford & Elliott	41	+ 5
F.M.C.	40	+ 4
Haden Carrier	67	+ 7
Leslie & Godwin	107	+ 5
Philips' Lamp	550	+ 15
Spear & Jackson	106	+ 8
British-Borneo Pet.	150	+ 26
Berjuntai	300	+ 10
Selcast	82	+ 8
FALLS:		
Alexanders Discount	172	− 13
Allen Harvey & Ross	325	− 25
Assoc. P. Cement	125	− 6
BATs Inds.	258	− 5
Beecham	336	− 8
Bowater	160	− 8
Brown (J.)	90	− 4
Cater Ryder	195	− 25
Courtaulds	75	− 4
Dunlop	66	− 8
EMI	208	− 9
GEC	157	− 6
GUS A	137	− 5
Hawker Siddeley	400	− 10
ICI	296	− 10
Lloyds Bank	178	− 7
Marks & Spencer	85	− 4
Nat. West.	192	− 11
Royal Insurance	250	− 6
T.C.K.	32	− 5
Turner & Newall	120	− 5
Unilever	400	− 8
Union Discount	272	− 16
Vickers	131	− 6
BP	720	− 16
Shell Transport	416	− 6
St. Piran	49	− 4

ON OTHER PAGES.

For latest Share Index 'phone 01-246 8026



A new procedure for monopolies

BY GEOFFREY OWEN

TO-DAY the Monopolies Commission report on "indirect electrostatic reprographic equipment"—in effect, on Rank-Xerox—is expected to be published, more than three and a half years after the reference was put to the Commission by the Heath Government. Is it really necessary to take so long? Two other references, one on architects' and surveyors' scale fees and the other on bread and flour, are more than three years old, and the Commission is apparently still at work on them. For a company like Spillers, which is having to cope with the Monopolies Commission on petfoods as well as on bread and flour, the demands on management time are considerable. It should surely be possible to speed up the procedure.

Ministers' views

The delays are not just the fault of the Commission. There can be a lengthy period between submission of a report to Ministers and publication, while Government departments consider how they should respond to the Commission's findings. This can continue for several months if the recommendations affect several departments which have different views on the matter.

More important, there has been a tendency for companies themselves to be dilatory in providing answers to questions. Companies do not like having their affairs scrutinised by an outside body, especially if they have something to hide: since the report is likely to recommend some change in their trading practices (very few are given a completely clean bill of health), they are inclined to spin out the process as long as possible.

It was partly to give the Commission more authority in pressing for speedy replies that the Fair Trading Act of 1973 provided for a period to be specified within which the Commission had to report. Since then it has been given anything from twelve to twenty-four months for monopoly references (merger references have a much shorter period), though in some cases it has been necessary to seek an extension; diazo copying materials, for instance, was referred in July, 1974, originally with a twelve-month time limit.

A body like the Monopolies Commission is never going to win a popularity contest among businessmen; it would not be doing its job if it did. It is criticised for being too slow, for being inconsistent, for asking the wrong questions. The criticisms are mild compared to those which are levelled at the Federal Trade Commission in the U.S. This body has been accused of trying to redefine monopoly without Congressional sanction and of indulging in fishing expeditions to extract a mass of information from companies without any clear notion of how the information will be used.

Nevertheless, there are ways of improving the operations of the Monopolies Commission. At present it has 24 members and only one, the chairman, Mr. J. Godfray Le Quesne QC, is full-time; the two deputy chairmen, Sir Max Brown, formerly Permanent Secretary at the Department of Trade, and Mr. E. L. Richards, a stockbroker, spend about two days a week at the Commission. The others spend only a few days a month there, working on the references to which they have been assigned; normally a group of about eight members, which must include either the chairman or a deputy chairman, will handle a monopoly reference.

There is a strong case for a nucleus of three or four full-time members (apart from the chairman), who would be fully committed to the Commission and provide a sense of stability, and one of them would serve on each inquiry in addition to the chairman or deputy chairman. They would help to speed up the Commission's work and, more important, could establish in advance, before the inquiry got under way, what the main lines of the investigation should be. Instead of looking into every nook and cranny of an industry, the Commission could focus attention on those aspects of its structure and behaviour which are relevant to the central question—which is whether a monopoly exists, and if so, whether it operates against the public interest.

No theories

The businessmen, bankers and academics who serve as part-time members provide a useful range of knowledge and experience, but there are advantages in an "inner college" to provide a deeper and more continuous analysis of competition issues. It is true that, in contrast to the U.S., U.K. competition policy is not based on any theory about competition; every case is looked at on its merits, with no preconceptions. But inevitably some general views about competition emerge during the Commission's work, and these views would be more clearly and fully developed if there were a number of members thinking about the issues on a full-time basis.

RACING — BY DOMINIC WIGAN

Doo'cot to win again

DOO'COT PARK who made up for two disappointing displays when winning at Nottingham last month, re-appears at Uttoxeter this afternoon in the Second *Division of the Sudbury Novices'* Chase, and it will probably pay punters to back him for the follow-up.

In his race at Nottingham, a division of the Stour Novices' Chase, the Bury St. Edmunds five-year-old showed no signs of the erratic jumping which had marred his previous efforts over fences, and it became apparent some way from home that he would win, barring a major blunder or fall.

Ridden out with hand and heels, David Morley's charge was not hard pressed to beat the heavily-backed favourite El Menio, with the remainder well behind.

I feel confident that a reproduction of that running will see Doo'cot Park disposing of to-day's rivals, best of whom could well be Bear's Paw.

Morley and his stable jockey—Bob Davies—could land two other prizes, for *Julian Swift*, bidding to follow up a bloodless Kempton success in Div. 1 of the Sudbury Chase and *Saintly Purchase* among the runners for the Cubley Hurdle, *appear to* have comparatively simple tasks.

Of the pair, I have most confidence in Julian Swift, who is likely to have his race sewn up a long way from home provided that ground conditions do not deteriorate overnight.

At Carlise, it is interesting to note that the much-improved course specialist, *The Last Light*, has been withdrawn from the Carlisle Crown and Mitre Hotel Chase in preference for a tilt at the Heads Nook Chase.

It will be disappointing if this tough seven-year-old cannot gain his fourth course victory.

UTTOXETER

12.45—Julian Swift**
1.15—Prince Ardent
1.45—Abo*
2.15—Hidden Treasure
2.45—Doo'cot Park***
3.15—Saintly Purchase

CARSLISLE

12.30—Doriesa
2.00—Skiddaw View
2.30—The Last Light

SALEROOM — BY ANTONY THORNCROFT

Mixed day for Old Masters

THE LONDON salerooms are slowing down towards the Christmas break, but Sotheby's managed a mass of relatively minor auctions yesterday. The most important, of Old Master paintings, brought in £227,150.

Cortez, a Spanish buyer, paid top price of £8,500, well above *estimate, for Tabernacle for a Devotional Figure*, a late 15th-century triptych of the School of Cologne.

The Leger Gallery acquired *A Village Gathering* by Franciscus Carree for £6,000, about twice the forecast, while *Ships in a Breeze* by Willem van de Velde the Younger, sold for £4,600—below expectation.

Soldiers Bivouacking in a Church, by Philip Wouwermans, made £4,400, also less than forecast, while a Holy Family from the circle of Peter Candid made the same price.

A sale of later paintings fetched £27,079. A Dutch town scene by Pieter Christian Dommersen sold for £2,600, and a pair of English village views by Abraham Hulk made £1,700.

A minor Sotheby's auction of netsuke and Japanese works of art totalled £35,167. Top price was £520 for a gold lacquer inro.

Christie's held three rather routine sales. As usual, jewels attracted the top prices, with a total of £101,831. A chrysoberyl cat's-eye and diamond circular cluster brooch made the top price, £10,500, comfortably above forecast.

A diamond brooch sold for £8,000 to Kutchinsky, while a pink sapphire and diamond oval cluster ring made £7,000. The silver sale added £81,125, with a Charles II cylindrical tankard, c.1670, by Arthur Heaslewood Junior, going for £2,700 to Koopman (in 1963 it sold at Christie's for £1,050).

A set of four George IV oblong entrée dishes, made by Jonathan Hayne in 1829, fetched £2,800.

Christie's also sold books, the property of Lord Belper, for £29,156. All 360 lots sold.

APPOINTMENTS

NatWest executive changes

Mr. A. G. Touche, chairman of Touche, Remnant and Co., has been appointed a deputy-chairman of NATIONAL WESTMINSTER BANK to succeed Mr. J. A. F. Binny, who retires from that office on December 31 on reaching retirement age. Mr. Binny will remain a director of the Bank. Mr. Touche has been a director since joining the Board of Westminster Bank in 1967 and is chairman of its outer London Regional Board. Mr. D. B. Money-Coutts, chairman and managing director of Coutts and Co., has been appointed a director. He also serves on the Bank's South-East Regional Board.

★

Mr. J. R. Richardson and Mr. E. Tomlinson will retire as directors of RANKS HOVIS McDOUGALL after the annual meeting on January 27. Mr. R. G. Rogerson, who was appointed a director last May, will commence taking over Mr. Richardson's executive responsibilities for financial matters within the group.

★

Viscount Weir, chairman and chief executive of the Weir Group, is to resign as a part-time Board member of the BRITISH STEEL CORPORATION at the end of this month due to additional business responsibilities.

★

Lord Aldington has become a non-executive director of WESTLAND AIRCRAFT. Dr. G. S. Hislop has retired from the Board, but will continue in an advisory capacity.

★

EXCESS INSURANCE GROUP states that Mr. I. R. Blaney of C. T. Bowring (Insurance) Holdings and Mr. D. V. Palmer of Willis Faber and Dumas have resigned from the Board due to the obligations imposed on them as directors of insurance broking companies by the Insurance Companies (Intermediaries) Regulations of 1976. Although the association at Board level will be terminated it is the intention that the existing close ties shall continue.

★

FURNESS-HOULDER (INSURANCE) states that Mr. R. B. Gristwood (Sunderland), Mr. W. A. Fuller (London), Mr. M. A. Meek (Pudsey) and Mr. C. Brown (Pudsey) have been appointed directors of its subsidiary, JEPSON AND LUTY.

★

Mr. A. E. Gibbins has been appointed deputy chairman of EVER READY COMPANY (HOLDINGS).

★

Mr. A. G. B. Young, of Arbuthnot Latham and Co., has been elected chairman of the INDONESIA ASSOCIATION for the ensuing year. Mr. R. McC. Cowan, of Paterson Ewart Group, becomes vice-chairman pro tem.

CCA will result in better investment decisions, says Dell

FINANCIAL TIMES INFLATION ACCOUNTING CONFERENCE

FINANCIAL TIMES REPORTER

BETTER investment decisions will result from the introduction of the new current cost accounting (CCA) system in British industry, Mr. Edmund Dell, the Secretary for Trade, predicted at the conference on Inflation Accounting—the proposed standard in London yesterday.

Mr. Dell rejected the sceptical views of some leading industrialists that CCA "was the straw that would finally break the camel's back." He said the quality of investment is not likely to be improved by a deliberate attempt to conceal the truth by the continued use of misleading historic cost accounts.

Companies using discounted cash flow techniques for making their investment decisions should be largely unaffected by the switch to CCA. But he warned those still making investment decisions on rates of return based on historic costs that they may be over-accounting for inflation by setting their returns unnecessarily high.

"Others will of course realise that some of their investment decisions were less profitable than they had expected. This may lead some companies to look more critically at their investment plans and will increase the pressure generally to improve the rate of return on investment, either by looking for more profitable ones or by making particular efforts to increase the efficiency of investments they do make."

Mr. Douglas Morpeth, the chairman of the Inflation Accounting Steering Group, said that the exposure draft on CCA, was a major step in the development of accounting. Its implementation would have a widespread effect on business investment and Government decisions.

Urgent

It produces "much more realistic and relevant information for decision-making in this era of inflation which is unlikely to end in the foreseeable future. It is urgent that industry should implement current cost accounting as quickly as possible.

"The steering group recognises that it is operating to an extent in uncharted waters and is certainly prepared to modify its views in the light of reasoned submissions in the next six months," he said.

There were three main contentious areas, said Mr. Morpeth. First was the question of whether any adjustment should be made in arriving at current cost profit for a gain or loss on monetary items already crystallised as a big debating point; there were also difficulties involved in the solution put forward for dealing with contract work in progress.

The next area of doubt was in the flexibility given to directors in relation to the amounts required to be set aside for the maintenance of the business.

Mr. Ian Hay Davidson, managing partner of Arthur Andersen and Co. and a member of the steering group, gave the conference a wide-ranging coverage of the exposure draft.

"Now it is for others to discuss with you the pros and cons of these far-reaching proposals. Current cost accounting represents a profound change in accounting, the more so because it cannot just be applied to the year-end figures," he said.

Warning

"It is a method that needs changes in the books, the book-keeping system and the management accounts themselves. So do not under-estimate what you may be in for," he warned the international two-day meeting, which was attended by nearly 500 delegates.

Mr. D. R. Glynn, economic director of the Confederation of British Industry, said he thought the Morpeth Committee had done a very good job.

"The really important reforms proposed are that profits should no longer be calculated before allowing for the increased cost of replacing the stocks and equipment at higher prices. It is very misleading to have to report in the accounts that profits were £x when part or all of that sum was required merely to stand still in terms of meeting the incoming bills for materials and components and providing for realistic depreciation allowances.

"This gives an exaggerated impression to shareholders of the company's ability to pay dividends without running down the capital," he said.

It was similarly misleading to employees, to the public, and to politicians. "This I think has led fairly directly to inappropriate controls on price increases and profits."

Mr. D. R. Chilvers, a partner in Coopers and Lybrand and a member of the Sandilands Committee, commenting on Inflation Accounting Since the Sandilands Report, said he believed the interim period—before the exposure draft became mandatory for the quoted sector—could be a long one and could stre[tch] much further than envisaged [in] the exposure draft.

"I suggest it should be ma[nda]tory now, or very soon, to give, [by] way of note, the full effects [of] inflation on reported earn[ings] and that it should be compuls[ory] rather than voluntary, to fol[low] the Stock Exchange direc[tive] which was issued earlier in [the] year. I think in this way [we] would then get a prelimin[ary] standard with almost immed[iate] effect."

The treatment of mone[tary] items was the most controver[sial] aspect of inflation accoun[ting], said Mr. Martin Gibbs, se[nior] research partner of Phillips [and] Drew.

He suggested that in allo[wing] for monetary items he would [cal]culate operating profits aft[er] cost of sales adjustment b[ased] on the whole working ca[pital] rather than on the stocks al[one] and would calculate the pr[opor]tion of the revaluation sur[plus] to be transferred to revalu[ation] reserve by reference to [the] initial gearing of the compa[ny].

The exposure *draft* attem[pts] to allow for the effects of i[nfla]tion on monetary assets [and] liabilities in two different w[ays].

Discretionary

First, directors would be [per]mitted to make discretio[nary] adjustments for monetary i[tems] in the appropriation acc[ount]. Secondly, a statement woul[d be] attached to the accounts sho[wing] the gain or loss on the main t[ypes] of monetary liabilities and a[ssets] as measured by the U.K. r[etail] price index.

"I regard the first of t[hese] ideas as potentially much more valuable of the two."

Although he criticised the [pro]posed treatment of mone[tary] items he did not want to see [a] delay in the introduction of [the] draft.

The introduction of cu[rrent] cost accounting was not goi[ng to] make decision-making e[asier] either for industry or Gov[ern]ment, but it was going to [make] it better informed, said Mr. [...] Sharp, head of the Governm[ent] Accountancy Service, acc[oun]tancy adviser to the Depart[ment] of Industry, and a member o[f the] steering group.

"Anything which leads t[o an] increase in return per un[it of] capital employed, to an inc[rease] in return per unit of la[bour] employed, to an increase i[n the] true profitability of comp[anies] is wholly in accord with Go[vern]ment policy.

TV/Radio

† Indicates programme in black and white.

BBC 1

12.35 p.m. On the Move. 12.45 News. 1.00 Pebble Mill. 1.45 Barnaby. 3.53 Regional News (except London). 3.55 Play School. 4.20 Astronut. 4.25 Jackanory. 4.40 Blue Peter. 5.05 John Craven's Newsround. 5.15 The Oddball Couple.
5.40 News.
5.55 Reporting England.
6.20 Nationwide.
6.45 To-morrow's World.
7.10 Top of the Pops.
7.40 Sykes.
8.10 Kojak.
9.00 News.
9.25 Show Jumping.
10.15 Omnibus USA: The Arts in America.
11.05 To-night.
11.45 Weather/Regional News.

All Regions as BBC 1 except at the following times:—

Wales—5.15-5.40 p.m. Bilidowcar. 5.55-6.20 Wales To-day. 6.45-7.10 Heddiw. 10.15-11.05 ". . . And the Pursuit of Happiness." 11.45 News and Weather for Wales.

Scotland—5.55-6.20 p.m. Reporting Scotland. 11.45 News and Weather for Scotland. 11.47-12.17 a.m. Bonn Comhraidh: Talking Point.

Northern Ireland—3.53-3.55 p.m. Northern Ireland News. 5.55-6.20 Scene Around Six. 11.45 News and Weather for Northern Ireland.

England—5.55-6.20 p.m. Look North (Leeds, Manchester, Newcastle); Midlands To-day (Birmingham); Look East (Norwich); Points West (Bristol); South To-day (Southampton); Spotlight South-West (Plymouth).

BBC 2

11.00 a.m. Play School.
7.00 p.m. News on 2 Headlines.
7.05 Your Move.
7.30 Newsday.
8.10 Top Crown Green Bowling.
8.35 The Book Programme.
9.00 The Hollywood Musical: "Carousel," starring Gordon MacRae and Shirley Jones.
11.05 Late News on 2.
11.15 Closedown: Leslie Sands reads "The Emigrés" by Ted Walker.

LONDON

†9.30 a.m. "The Spy In Black," starring Conrad Veidt. 10.45 Marcus Welby, MD. 11.35 Kimba. 12.00 Animal Kwackers. 2.10 p.m. Rainbow. 12.30 Parent's Day. 1.00 News plus FT index. 1.20 To-day's Post. 1.30 Crown Court. 2.00 Good Afternoon. 2.25 South Riding. 3.20 Heart to Heart. 3.50 Emmerdale Farm. 4.20 The Little House on the Prairie. 5.15 Bless This House.
5.45 News.
6.00 To-day.
6.35 Crossroads.
7.00 Thursday Adventure Film: "Assault On A Queen," starring Frank Sinatra.
9.00 The Squirrels.
9.30 This Week.
10.00 News.
10.30 Manhunter.
11.30 "Joker" and "Eskimo."
12.00 What the Papers Say.
12.15 London Scene.
12.25 Close: Leonard Pearcey reads Prayers from the Ark by Carmen Bernos De Gasztold, translated by Rumer Godden.

All ITV Regions as London except at the following times:—

ANGLIA

10.00 a.m. Feature Film: "Where Angels Go Trouble Follows" starring Rosalind Russel. 11.30 Scotch Corner. 11.55 The Woozies. 1.25 p.m. Anglia News. 2.00 Women Only. 4.20 The Romper Room. 4.45 Anita in Jumbleland. 5.15 Black Arrow. 6.00 About Anglia. 6.20 Arena. 7.00 Thursday Movie: "None But The Brave" starring Frank Sinatra. 10.30 George Hamilton IV. 11.00 Of Men And Women. 12.00 Ski-ing With Gina. 12.30 a.m. The Living Word.

ATV MIDLANDS

10.10 a.m. Foreign Flavour. †10.35 The Morning Matinee: "The Ghost Goes West" starring Robert Donat. 11.55 Little Ig cartoon. 1.20 p.m. ATV Newsdesk. 4.20 Batman. 4.45 Space 1999. 6.00 ATV Today. 7.00 Cartoon. 7.15 Thursday Mystery Movie: McMillan and Wife. 10.30 Baretta. 11.30 Gardening Today. 12.00 Barrie Allcott.

BORDER

10.05 a.m. Hammy Hamster's Adventures on the Riverbank. 10.15 Beachcombers. 10.40 Tarzan. 11.25 Scotch Corner. 11.50 The Woozies. †1.20 p.m. Border News. 2.00 Women Only. 4.20 Island of Adventure. 5.15 Spiderman. 6.00 Border News and Lookaround. 7.00 Thursday Adventure Film: "Guns for San Sebastian" starring Anthony Quinn. 10.30 The Baron. 11.30 Gardening Today. †11.55 Border News Summary.

CHANNEL

†1.15 p.m. Channel Lunchtime News and What's On Where. 4.20 The Count of Monte Cristo. 4.50 Lost In Space. †6.00 Channel News. †6.10 Lick Up. 7.00 Star Movie: "David and Bathsheba." †10.30 Survival. 11.00 The Pathfinders. †11.55 News and Weather in French.

GRAMPIAN

11.30 a.m. Scotch Corner. 11.55 The Woozies. 1.20 p.m. Grampian News Headlines. 2.00 Women Only. 5.15 Wildlife Cinema. 6.00 Grampian Today. 10.30 Sportscall. 11.10 Orson Welles' Great Mysteries. 11.40 Evening Prayers.

GRANADA

9.30 a.m. Wait Till Your Father Gets Home. 9.50 Mister Sherlock Holmes Of London. 10.30 Holiday Matinee: "Mr. Bug Goes To Town" (full-length cartoon). 11.45 Baldmoney, Sneezewort, Dodder and Cloudberry. 1.20 p.m. Take Kerr. 2.25 Born Free. 5.10 This Is Your Right. 5.15 Crossroads. 6.00 Granada Reports. 6.30 Cartoon. 6.40 The Adventurer. 7.15 The Thursday Film: "Danger Has Two Faces." 10.30 Sammy. 11.30 What The Papers Say. 11.45 Police Surgeon.

HTV

10.20 a.m. Hammy Hamster's Adventures on the Riverbank. †10.30 Danger Man. 11.25 Scotch Corner. 11.50 The Woozies. 1.20 p.m. Report West Headlines. 1.25 Report Wales Headlines. 2.00 Women Only. 4.20 Woody Woodpecker. 4.45 Return to the Planet of the Apes. 5.15 Breaktime 5. 5.20 Crossroads. 6.00 Report West. 6.15 Report Wales. 6.30 Happy Days. †7.00 The Adventure Film: "Pittsburgh" starring Marlene Dietrich, John Wayne and Randolph Scott. 10.30 Cousin Kit. 11.05 The Thursday Mystery Movie: Banacek.

HTV Cymru/Wales—As HTV General Service except: 1.20-1.25 p.m. Penawdau Newyddion y Dydd. 4.20 Mini Mawr. 4.35-4.45 Seren Wib. 6.00-6.15 Y Dydd. 6.30-7.00 Sports Arena. 10.35 Devolution Special. 10.50 Datganoli. 11.05 Our American Dream. 11.50 The Saint.

HTV West—As HTV General Service except: 1.20-1.30 p.m. Report West Headlines. 6.15-6.30 Sport West.

SCOTTISH

11.30 a.m. The Entertainer. 11.55 The Woozies. †1.25 p.m. Road and Weather Report. 2.00 Women Only. 4.20 Tarzan. 5.15 Calimero. 5.20 Crossroads. 6.00 Scotland Today. 6.30 Garnock Way. 7.00 Love American Style. †7.15 The Thursday Movie: "Danger Has Two Faces." 10.30 The Persuaders. 11.30 Late Call. 11.35 Moneywise.

SOUTHERN

10.00 a.m. Baldmoney, Sneezewort, Dodder and Cloudberry. †10.10 "Laurel and Hardy in Toyland." 11.30 Scotch Corner. 11.55 The Woozies. 1.20 p.m. Southern News. 2.00 Women Only. 4.20 Betty Boop. 4.25 Space 1999. 5.20 Crossroads. 6.00 Day by Day. 6.30 University Challenge. 7.00 "Ambush Bay" starring Hugh O'Brian and Mickey Rooney. 10.30 Shannon's Mob. 11.30 Southern News Extra. 11.40 Phyllis.

TYNE TEES

10.30 a.m. Starting Point. 10.35 Ed Allen Time. 10.55 Ponny and Sonny. 11.00 Here Comes the Future. 11.30 Scotch Corner. 11.55 The Woozies. 1.20 p.m. North East News and Lookaround. 2.00 Women Only. 2.25 Born Free. †4.20 The Thursday Film: "Heidi," starring Shirley Temple. 6.00 Northern Life. 7.00 The Thursday Adventure Film: "Guns for San Sebastian," starring Anthony Quinn. 10.30 The Protectors. 11.00 Access. 11.30 The Mary Tyler Moore Show. 12.00 Epilogue.

ULSTER

10.35 a.m. Animated Classics. 11.30 Scotch Corner. 11.55 The Woozies. 1.20 p.m. Ulster News Headlines, followed by Lunchtime. 3.48 Ulster News Headlines. 4.20 Woobinda. 4.45 Castaway. 5.15 Here's Lucy. 6.00 UTV Reports. 7.00 Emergency. 9.00 Dan August. 10.30 Countryscene—Markethill, Co. Armagh. 11.25 What's It all About.

WESTWARD

9.55 a.m. Feature Film: "Carlton Browne of the FO," starring Peter Sellers. 11.25 Scotch Corner. 11.50 The Woozies. 12.25 p.m. Gus Honeybun's Birthdays. 1.20 Westward News Headlines. 4.20 The Count of Monte Cristo. 4.50 Lost in Space. 6.00 Westward Diary. 7.00 Star Movie: "David and Bathsheba," starring Gregory Peck. 10.30 Westward Report. 11.00 Westward Late News. 11.03 The Pathfinders. 11.55 Faith for Life.

YORKSHIRE

10.30 a.m. The Stationary Ark. 10.55 Felix the Cat. 11.05 The Beachcombers. 11.30 Raymond Mays—The Last of the Titans. 1.20 p.m. Calendar News. 2.25 The Company Men. †4.20 "Heidi," starring Shirley Temple. 6.00 Calendar (Emley Moor and Belmont editions). 7.00 The Thursday Adventure Film: "Guns For San Sebastian," starring Anthony Quinn. 10.30 Police Story. 11.25 Phyllis.

RADIO 1 — 247m

(S) Stereophonic broadcast.

6.00 a.m. As Radio 2. 7.00 Noel Edmonds. 9.00 Tony Blackburn. 12.00 Paul Burnett including 12.30 p.m. Newsbeat. 2.02 David Hamilton (S) (also on VHF). 4.30 It's D.L.T. OK! 5.45 Newsbeat. 6.02 John Dunn (S) (joins Radio 2). 11.00 John Peel (S) (also on VHF). 12.00-12.05 a.m. As Radio 2.

RADIO 2 — 1,500m and VHF

6.00 a.m. News Summary. 6.02 Colin Berry (S) including 6.15 Pause for Thought. 7.02 Terry Wogan (S) including 8.27 Racing Bulletin, 8.45 Pause for Thought. 9.02-11.30 Harry Carpenter's Open House (S) including 10.30 Waggoners' Walk. 11.30 Jimmy Young (S). 1.30 p.m. Sports Desk. 1.35 Good Listening (VHF). 2.02 David Hamilton (S) as Radio 1, but including on 1,500m. only (also 202m. Scotland) 2.45 and 3.45 Sports Desk. 4.30 Waggoners' Walk. 4.45 Sports Desk. 4.47 John Dunn (S) including 5.45 Sports Desk. 6.45 Sports Desk. 7.02 Two By Two. 7.30 David Allan's Country Club (S). 9.02 Folkweave (S). 10.02 Sports Desk. 10.07 Syd Lawrence and his Orchestra including Band Parade (S). 11.02 Jean Challis with The Late Show (1,500m. only, also 202m. Scotland, VHF joins Radio 1). 12.00-12.05 a.m. News.

RADIO 3 — 464m, Stereo & VHF

6.55 a.m. Weather. 7.00 News. 7.05 Overture (S). 8.00 News. 8.05 Morning Concert (S). 9.00 News. 9.05 This Week's Composers: Britten and Bridge (S). 9.45 Lindsay String Quartet (S). 10.45 Masters of the Lied (S). 11.30 Midday Prom, part 1: Mozart, Vivaldi, Haydn (S). 12.15 p.m. Words . . . 12.20 Concert, part 2: Saint-Saëns, Ponce (S). 1.00 News. 1.05 Bradford Midday Concert (S). 2.00 BBC Welsh Symphony Orchestra part 1: Tchaikovsky, Beethoven (S). 2.55 In Short (talk). 3.05 Concert part 2: Williams, Mussorgsky (S). 4.00 Berio, concert (S). 4.25 Mozart Piano Sonatas (S). 5.25 Viola Sounds (S). 5.45 Homeward Bound (S). 6.05 News. 6.10 Homeward Bound (continued). 6.30 Lifelines: The Wider World. 7.30 Purcell, concert of theatre music (S). 8.00 Government and the Civil Service (talk by Lord Crowther-Hunt). 8.20 Kubelik Concert from Munich, part 1: Britten, Mozart (S). 9.15 Music on the Air. 9.30 Concert, part 2: Janacek (S). 10.10 Drama Now (S). 11.15 Dowland, Concert (S). 11.25-11.30 News.

RADIO 4

434m, 330m, 285m and VHF

‡ Medium Wave only

6.20 a.m. News. 6.22 Farming Today. 6.40 Prayer for the Day. 6.45 Today. 7.00 News and more of Today including Sports News, Today's Papers, and 7.25 (VHF) Regional News. 7.45 Thought for the Day. 8.00 *News and more of Today* including 8.25 (VHF) Regional News. 8.45 Yesterday in Parliament. 9.00 News. 9.05 These You Have Loved (S). 10.00 News. 10.05 From Our Own Correspondent. 10.30 Daily Service. 10.45 Morning Story. 11.00 News. 11.05 You, The Jury. 11.50 Brian Johnston recalls his 30 years in broadcasting. 12.00 News. 12.02 p.m. You and Yours. 12.27 My Word! (S). ‡12.55 Weather and programme news VHF (except London and SE) Regional News. 1.00 The World At One. 1.30 The Archers. 1.45 Woman's Hour including 2.00-2.02 News. 2.45 Listen With Mother. 3.00 News. 3.05 Afternoon Theatre. 3.50 Jack de Manio Precisely including 4.00-4.05 News. 4.35 Story Time. 5.00 PM Reports. ‡5.50 Financial Report VHF Regional News. 5.55 Weather: programme news. 6.00 News. 6.15 Top of the Form. 6.45 The Archers. 7.00 News. 7.05 The World In Focus. 7.30 Any Answers? 8.00 Something to Declare. 8.45 Analysis: Poland—The Shape of Socialism. 9.30 Kaleidoscope. 9.59 Weather. 10.00 The World Tonight. 10.45 A Book At Bedtime. 11.00 The Financial World Tonight. 11.15 Today In Parliament. 11.30 News.

BBC Radio London

206m and 94.9 VHF

6.00 a.m. As Radio 2. 6.30 Tony Fish with Rush Hour. 9.00 Carry on Councillor. 9.30 Richard Vaughan with London Live. 11.03 Jenny Thompson and Diana Rice with In Town. 12.03 p.m. Call In, including 12.45 London News Desk. 2.03 Paul Owens with 206 Showcase. 4.03 Ansley Jones with Home Run, including London News Desk. 6.00 Look, Stop, Listen. 7.30 Jenny Thompson and Diana Rice with In Town (as 11.03 a.m.). 8.30 Soul 77. 10.03 Late Night London. 12.00-Close: As Radio 2.

London Broadcasting

261m and 97.3 VHF

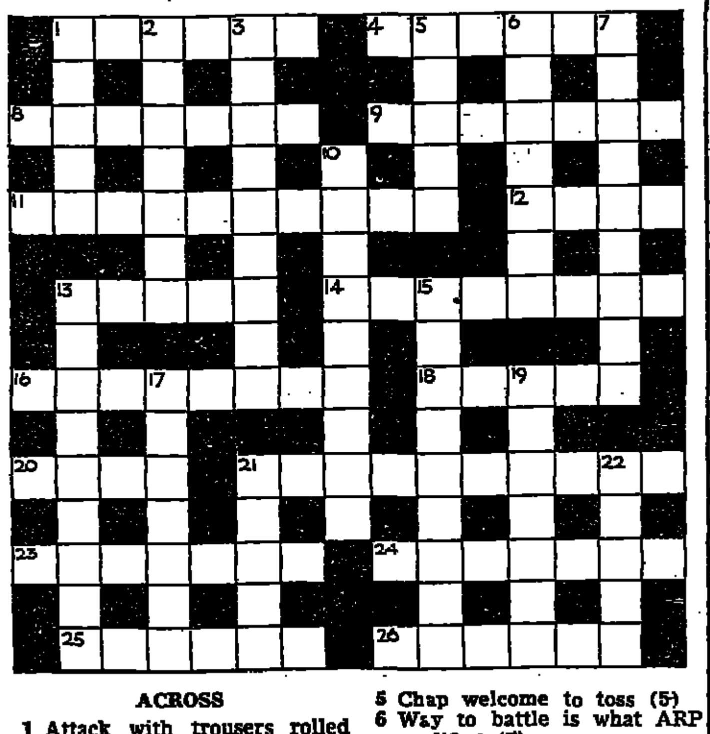
5.00 a.m. Morning Music. 6.00 "A.M.": breakfast-time show. 10.00 Brian Hayes talking to London. 1.00 p.m. Newswatch. 5.00 Newsbreak. 8.00 Music in Stereo. 9.00 Nightline. 1.00-4.30 a.m. Nightwatch: news every half-hour.

Capital Radio

194m and 95.8 VHF

6.00 a.m. Graham Dene: The Breakfast Show. 9.00 Michael Aspel. 12.00 Dave Cash: Cash on Delivery. 3.00 p.m. Roger Scott. 7.00 London To-day. 7.30 Adrian Love: Open Line. 9.00 Nicky Horne: Your Mother Wouldn't Like It. 11.00 Tony Myatt: The Late Show. 2.00-4.00 a.m. Night Flight.

F.T. CROSSWORD PUZZLE No. 3,261



ACROSS

1 Attack with trousers rolled up? (4, 2)
4 Silent call by debtor to exhibitionist (6)
8 By rights doctor should go to demonstration (7)
9 Moderate football controllers from Eire (7)
11 Used the police to be a lot of has-beens? (5, 5)
12 Isn't Cockney reading first-class part of Bible (4)
13 Operator loses on swell (5)
14 Notice article on the boil (8)
16 Paper involved in after-match bombardment (8)
18 Scoundrel with Irish accent beheaded (5)
20 Performance goes some distance they say (4)
21 Say it's Friday and stop work (4, 2, 1, 3)
23 What's left in square (7)
24 Departure of the French to come to a stop (7)
25 Permit Harry finds deadly (6)
26 OK in form in which it was posted (6)

DOWN

1 Which person goes to work to cry? (5)
2 What a colander is to artist in restaurant car (7)
3 Dire consequence one will consummate (3, 6)
5 Chap welcome to toss (5)
6 Way to battle is what ARP modified (7)
7 Roan I sent for training as *quixotic mount* (9)
10 Bad-tempered cable Iris amended (9)
13 Go-slow at Lords may have the field surrounded (9)
15 Peer gets one point for extra punctuality (9)
17 Playing Bunter offers attraction to actor (3, 4)
19 Pleased to see an alluring invitation (4-3)
21 Commander takes care of a drink (5)
22 Like party to have something valuable (5)

SOLUTION TO PUZZLE No. 3,260

R	E	V	E	A	L		D	I	S	C	L	O	S	E
E		I		T		L		M		O		R		N
P	A	N	D	O	R	A		P	A	R	R	I	E	D
O		D		M		T		E		S		E		U
L	A	I	D		C	H	A	N	C	E	L	L	O	R
I		C		G		E		D		L				E
S	T	A	I	R	S		D	E	F	E	N	C	E	
H		T		O		M		D		T		O		S
	R	E	F	U	S	E	D		P	E	R	M	I	T
A				N		N		L		D		P		U
B	R	A	N	D	I	S	H	E	D		P	A	I	R
S		B		L		W		A		I		N		G
E	V	I	L	E	Y	E		P	E	N	S	I	V	E
N		D		S		A		T		C		O		O
T	R	E	A	S	U	R	Y		C	A	N	N	O	N

THEATRES AND CINEMAS CONTINUED ON PAGE 7

New York theatre

An empty Christmas stocking

by GEORGE OPPENHEIMER

With the approach of the liday season, you'd think the eatrical season would lighten and provide at least better tertainment. Not a bit of it. 'en the high hopes of Tennes- e Williams' *The Eccentricities a Nightingale* have been shed, at least for me.

As he has done so often, illiams has rewritten one of s plays, this time *Summer and noke*, and in the process minished it. The original play s not a success on Broadway en it was done in 1948. When was revived off-Broadway four ars later with Geraldine Page the leading role, it made a ar of Miss Page, a success of rector Jose Quintero and is nerally credited with having arted the off-Broadway move- ent.

Now Williams has revised it ill effect. Where before Alma inemiller was a neurotic ghtened virgin, afraid to look a medical chart of the male dy, she is now the seducer of ctor John, the man she loves. turn the Doctor has become shadow of the former small wn Don Juan, now a namby- mby young man dominated his incestuously inclined ther.

All the melodrama has been cised, the killing of the doc- 's father by the parent of the ctor's mistress. In its place inaction. Alma's efforts to bed ctor John, her final success d her deterioration after she es him. Happily, Betsy lmer is so good as the frenetic ma that she is able to make somewhat for Williams' lapse. vid Selby does what he can bolster the character of ctor John but it is an ungrate- l task, not helped by Edwin erin's direction and an out- or set made to serve for erything from a garden to a tel room.

*

Herzl by Dore Schary, a one- ne top executive at Metro Gold- n Mayer and a playwright th one success (*Sunrise at mpobello*, the biographical ama of Franklin D. Roosevelt) d Amos Elon. The latter is e author of a biography of eodore Herzl, the founder of rael and the father of Zionism, d the play is based on Elon's ok.

It is less a play than a tract, debate and a lecture. What ama there was in Herzl's quest r money and encouragement his efforts to establish a wish state has been almost mpletely lost. The characters, cluding the Pope, the Kaiser d the Sultan of Turkey among ther actual persons, are either cutouts or cartoons. Only Herzl has some reality, thanks mainly to a stunning performance by Paul Hecht against the copious odds of the static dialogue and the direction of J. Ranelli.

Two British imports, Harold Pinter's *No Man's Land* with Gielgud and Richardson, and Trevor Griffiths' *Comedians* with only the talented Jonathan Pryce remaining from the original cast, have opened and have been, on the whole, well received.

*

I was an avid Pinter enthusiast up to but not through *Old Times*. With *No Man's Land*, which I first saw in London, he lost me, at least temporarily. Much as I admired the acting and the dialogue, it bewildered me to the extent that I was no longer willing to yield to its author's self-indulgent cryptograms.

It is all very well to make an audience do some thinking, but it seems to me that the playwright has a duty to do the thinking first. I strongly suspect that, with all his theatricality and gift of poetic prose, Pinter's mind has gone to his head. With *No Man's Land*, he gave me pause.

As for *Comedians*, I am of two minds, neither of them very lucid. Over here it has been directed by Mike Nichols and he has done so in fine style. I found its first act hard going with its slow start, its English local references and some of its tired jokes. With the second and third stanzas it picked up considerably, thanks also to a fine cast with Milo O'Shea as the teacher and a sextet of incipient comics, especially the aforementioned Pryce, who has made a great hit over here.

The Abbey Theatre came from Dublin to the Brooklyn Academy of Music for a limited stay with O'Casey's *The Plough and the Stars*. Much as I admire the play, the production belied the Abbey's glowing reputation.

I had seen O'Casey's comedy-drama first back in 1938 on a previous Abbey visit. This time it seemed a different matter completely. So thick were the brogues that the singing dialogue was almost completely incomprehensible and some of the performances, with the notable exceptions of those of Cyril Cusack as Fluther Good and Siobhan McKenna as Bessie Burgess, were below the high standard one expects from this group.

And so may I wish you a merrier Christmas and a lot better theatrical New Year both on your side and ours.

Felix Rice and Eric Roberts in 'I Gotta Shoe,' which opened last night at the Criterion Theatre   Leonard Burt

Elizabeth Hall

George Malcolm

by DAVID MURRAY

Mr. Malcolm proceeded rough Bach's "Goldberg" ariations on Tuesday with mething less than his usual ullience. By now he has surely ayed them more often than en poor Goldberg had to do r his insomniac Count; he has highly personal way with them nd why not?) which is suffi- ently ingrained to keep the tention of his audiences even en his own is manifestly ndering. There were many ns of that: a great quantity finger-slips, a tendency for riations to end much faster an they had begun (thus com- omising Malcolm's customary ythmic spring), an irretriev- le muddle in the 11th varia- n. He observed repeats faith- ly, but sometimes seemed to iclude the first time round, ding the repeat as an after- ught. And yet the boldness d intelligence of his reading s not to be gainsaid.

Malcolm played the work with interval after the 15th varia- n (the natural place, since ere are 30). That ensured a sh, ringing attack on the 16th, French Overture, which unded imposing and slightly ngue-in-cheek at once; it may o have explained the otesquely ponderous bass line the 15th, presumably intended make it a weightier close for the first half. In general, Malcolm seemed most engaged in the canons, each of which was brought vividly to life. There is little enough slow music in the "Goldberg" set, but it was undersold — Malcolm jogged through the 13th variation, and he dealt with the 25th, the famous Chopinesque one, brusquely and curtly.

Except for the registration, in which Malcolm's risky taste for mixing his harpsichord-colours was sweepingly indulged. The weight of pathos which that variation bears went for little, as each new melodic limb arrived in a new garb. It is rather late in the day to rail at Malcolm's penchant for switching his stops at arbitrary junctures, but these variations really do not take well to internal colour-contrasts. It is one thing to prettify the Courante with an unexpected tint, a mere matter of taste; but it's quite another to assign such different sound-qualities to two keyboards that when, as often in the brilliant variations, the two hands successively share a single passage it is split into an unequal duet. The perspective of the 25th variation, a confident Sarabande with sprightly running decoration, was quite inverted. One wasn't bored; but Malcolm's virtues are solid enough to have guaranteed that without artificial aids.

ICA Theatre

Vinegar Tom

by MICHAEL COVENEY

With this invaluable venue's piry date now set for Christ- as Eve and a lively campaign ider way to try and save it ne ICA is in a "deficit situa- n" of £24,000, closing the eatre might save £3,000), the minist group Monstrous Regi- ent give further evidence of ryl Churchill's threat to nerge as a really fascinating amatist. In truth, the best parts *Vinegar Tom* are those that ncentrate on the economic rrative line of a witch-hunt in 17th century village.

Gillian Hanna plays Alice, a rl we first see enjoying sex with man of the world before being andoned by him and left to are her mother's bed, with a ild in the corner. She encour- es her friend to go through th an abortion and then resists e advances of a brawny farmer, o accuses her of destroying his anhood; and it is not long fore the witch-hunt chases her to the open and presses the ilure of a peasant society to re for its own on a trumped-up arge of black magic.

But the play falters in its lack faith in dramatic analogy, let one the power of the story as stands. The music (lyrics by hurchill, music by Helen lavin), admittedly entertaining in itself, spells out the fact that we all need to find something to burn: if not a witch, then perhaps a woman, a black or a Jew. Such sentiment, although arguably admirable, is hardly achieved in the play itself. Or rather, is *potentially* achieved and then tossed away in righteous overstatement.

The witch-hunter's assistant, a chirpy girl with a speech about keeping herself healthy while keeping the country healthy, is an interesting character idea that remains just that. But it is the play's earlier scenes which stick in the memory: an old woman begging for yeast while the farmer's wife churns the butter; a white-faced girl wrapped up in a strait-jacket with some medical hogwash about hysteria coming on with the monthly period. Good work by Mary McCusker and Helen Glavin. Pam Brighton directs the strongest parts of the play with generous sensitivity.

Another 'Mousetrap' milestone

Agatha Christie's *The Mousetrap*, now in its 25th year, will set up a new world record when it clocks up 10,000 performances on Friday, December 17.

Record review

Keyboard year

by DOMINIC GILL

Schumann: Concerto without orchestra op. 14. Skryabin: Conata no. 5 op. 53. Vladimir Horowitz. RCA ARL1-1766 (£2.99)

Chopin: 7 Polonaises. Maurizio Pollini. DGG 2530 659 (£3.59)

Beethoven: 18 piano sonatas. Solomon. HMV RLS 722 (7-disc box, £12.95)

As my colleagues of the *Gramophone* confirm this month in their annual retrospective review, 1976 has been a dullish year for records—the popular re-vamp, the commercial revarnish, has been a more than usually consistent theme. In matters of contemporary music particularly, the record lists—like their sisters in apathy and economy, the South Bank programmes — have been sadly unadventurous. The single exception, it must be said, is the remarkable flood of piano issues and reissues, many of them very fine, some of them truly memorable, which has continued right up to the year's end.

These three issues are exhilaratingly typical—each one a new arrival or revival to be recommended without reservation. Horowitz's two performances were recorded during his 15-concert tour of the U.S. and Canada during this year and last. They are the most recent examples we can hear in this country of his playing, and neither betrays the slightest diminution of his extraordinary powers. On the contrary: it would appear that over the years they have grown more acute, still more sharply defined. Horowitz is now 72: yet at no time past has his playing sounded more closely focused, more powerfully contained, more electrifying than it does on this disc.

It is not clear from the record-sleeve whether each account is a single take, or whether we hear edited versions made up from various performances during the tour. But But there are no audible splices; the sound-quality, like the manner itself, is wonderfully consistent. Astonishing for its supreme command of texture and colour above all—the sighing inner voice, the delicate blur of pedalling, the myriad twilight gestures in between the massive contrasts of light and shade. And instant dynamic command: one might almost swear Horowitz was using an instrument with a swell-pedal, so dramatic, and at the same time so even, so perfectly graded, are his dynamic effects. Schumann's *Concerto without orchestra* (the Grand Sonata No. 3 in F minor op. 14) is a big, bold romantic canvas, an ideal vehicle for Horowitz's genius: strange that he has left it out of his repertory for so long. His account of Skryabin's fifth sonata is no less than miraculous: chain upon chain of melting steel-spun, silk-spun fire. Description falters: more simply, this is a record which no one in love with piano music can afford to be without.

Book Reviews are on Page 35

Pollini's recital of seven of Chopin's dozen Polonaises, including the Polonaise Fantaisie op. 61, follows closely on his distinguished records of the complete Etudes and Preludes. Once again he offers playing of enormous authority, grandly self-possessed, at once proud and stern, but never austere. These are serious performances, made with the greatest care, technically near-perfect: if they lack any quality at all, it must only be a certain colour of gaiety, of vivaciousness, buoyant sparkle. The F sharp minor Polonaise is beautifully shaped, strong as iron, the grandest dance; but perhaps most satisfying of all is Pollini's fierce, luminous account of the enigmatic Polonaise Fantaisie, worth—even if there were nothing else—the price of the disc.

I noted with regret not long ago on this page the gradual disappearance from the catalogue of Solomon's Beethoven sonata recordings. With this box of reissues the loss is all but restored: even if HMV offer us only 18 of the 32 sonatas, their selection is a sensible and representative one, and the gesture is well timed. It is exactly 20 years ago that Solomon's career came to its sudden and tragic end. Only his records now tell of his stature: a pianist whose interpretations of Beethoven, deeply personal, paradoxically selfless, seem more unmistakably "right," seem to lead the listener more directly and more closely to the composer, than almost any other performances that I know.

Almost, as I wrote then: the names of Schnabel, Serkin, Curzon also came to mind, who at their finest also share with Solomon at his most radiant something of the same ability to express, transcending all manner of interpretative quirks and technical imperfections, a vision of Beethoven's music so profoundly spiritual, human, timeless. Performances of Beethoven we hear every day, good and bad, which quickly fade. These we return to time and again, to find them fresh as they ever were, ever refreshing, unfaded.

Aldwych

Wild Oats

by B. A. YOUNG

Wild Oats is a safe bet for Christmas, or indeed for any other time. It is a farcical melodrama by John O'Keeffe, the blind Irish playwright (1747-1833), and the Royal Shakespeare Company presents its first production of the century, though it was popular enough in the hundred years after its original appearance in 1791.

Its plot is a fairly conventional one leaning heavily on exchange of identities. There is a scene in what is the second act in Clifford Williams' production in which all three men on the stage using false personalities; young Harry Thunder, the runaway cadet, is pretending to be an actor called Dick Buskin, his friend Rover is pretending to be Harry Thunder, and the real Harry's father, Sir George Thunder, is being treated by Rover as an actor called Abrawang, which is what Harry said he was in search of a quick pretext.

Why these impersonations should have been adopted, and how they are resolved, everyone slotting ultimately into his proper status as inevitably as in the last scene of a Gilbert and Sullivan opera. I will not tell; the plots of farces should never be recounted.

Rover is a comic character of high class. He yearns to be an actor, and is apt to fall at any moment into Shakespearian quotation, appropriate or not. The part is a gift for Alan Howard, and he makes of it one of the funniest performances I have seen for a long time. True, O'Keeffe gives him ample opportunities. Stepping elegantly down from the bench he is standing on to take into his arms the amorous Jane Gammon (Zoe Wanamaker), Rover begins his wooing with the line "I kissed thee ere I killed thee;" it only momentarily disconcerts Jane.

Other characters have equally individual manners of speech. Old Sir George (whom Norman Rodway presents like a drawing from the Bab Ballads) observes "The worm of remorse has gnawed at my timbers" when he learns the truth about his son and his wife. Lady Amaranth, in Lisa Harrow's hands the epitome of Quaker purity, though her behaviour suggests that she is a Quaker of very liberal persuasion, is not only given to the obligatory "thee" and "thou," but lards her conversation with words like "peradventure." Joe Melia as John Dory, Sir George's ex-boatswain, now his valet de chambre, sounds like Long John Silver.

Tuesday's performance began, I thought, a trace sluggishly, though I suspect the fault lay with the audience rather than with Mr. Williams' adept direction. As soon as they knew what they were in for, and began to recognise the streams of quotations (not always hackneyed ones by any means), they relaxed, and the evening ended in gales of laughter.

Ralph Koltai's bare box set looks forbidding at first, but with the quick addition of the necessary furniture it changes from scene to scene with the expedition of a lightning-sketch artist.

Christmas on the South Bank

The Greater London Council's South Bank Concert Halls will offer a new production of *The Nutcracker*, three films, five musical concerts and poetry readings during the Christmas season as family entertainment.

The London Festival Ballet will dance *The Nutcracker* from December 27 to January 15 at the Festival Hall. The new production will be mounted and choreographed by Ronald Hynd, with sets designed by Peter Docherty.

The first films will be *Scrooge*, a musical based on Charles Dickens' *A Christmas Carol*, starring Albert Finney in the title role, with Alec Guinness, Kenneth More and Edith Evans, to be screened in the Elizabeth Hall on December 27 and 31 at 2.45 p.m. *The Sound of Music*, one of the biggest box-office hits in film history, starring Julie Andrews and Christopher Plummer, will be shown on December 27 and 31 and January 3 at 6.45 p.m. The third film will be *Tales of Beatrix Potter*, featuring Frederick Ashton, Alexander Grant and members of the Royal Ballet, to be screened on January 2 and 9 at 2.45 p.m. and January 7 at 6.45 p.m.

From Holland, The Camerata Lysy, a group of young string players under the direction of Alberto Lysy, will perform in the Elizabeth Hall, with a well-known soloist in each of the five concerts. Roger Birnstingl will play with the group on December 28; William Bennett and George Malcolm on December 30; Hephzibah and Jeremy Menuhin on January 2; Jeremy Menuhin on January 4 and Tamas Vasary on January 6. The Camerata Lysy are the performing section of the International Academy of Chamber Music, now based in Queekoven in Holland.

The Barrow Poets will return for a *Christmas Show* programme on December 29, which will include a late tribute to the U.S. bicentenary in the form of four poem by the Red Indian poet Black Elk, set to music by Jim Parker. Appearing on the programme will be speakers Heather Black, Cicely Smith, Gerard Benson and William Bealby-Wright and instrumentalists Susan Baker and Jim Parker.

Ludovic Kennedy to be Lyceum chairman

Ludovic Kennedy, the writer and broadcaster, is to be chairman of the Royal Lyceum Theatre Company when the group becomes autonomous, with its own board, in April 1977. The appointment was made as a result of a joint approach by the Scottish Arts Council and the Lothian Regional Council.

London Opera Centre, Commercial Road

Il fratello innamorato

by ELIZABETH FORBES

Last term the London Opera Centre staged Pergolesi's comic opera, *Il fratello innamorato*, as a workshop production in the rehearsal room with a conventional proscenium set. The piece is now presented on the floor of the Centre's huge auditorium, in the round; it works very well. The Neopolitan comedy concerns two families, whose houses stand in opposite corners of the acting area (which is square, rather than round), while the chamber orchestra from the Trinity College of Music occupies a third. Tim Reed's stone-coloured balconies and balustrades are solidly constructed; the fountain politely turns itself off while the music is going on.

The love-sick brother of the title is Ascanio, adopted son of Marcaniello, an elderly gentleman with gout. Ascanio is in love with Nena and Nina, the nieces of Carlo, who live in the house opposite. He cannot understand why he loves them both, but the reason is quite simple; he is their long-lost brother. This fact once brought to light, the way is open for Ascanio to marry Lucrezia, his foster-sister, who is madly in love with him, although betrothed to Carlo. Marcaniello and his (real) son Don Pietro are betrothed to Nina and Nena, but these marriages don't take place. Add a housekeeper (one pregnant) to each establishment, and you have a pretty plot to untangle in a couple of hours.

Charles Hamilton's production is swift and enthusiastic. With the help of Renata Clewes he has made an English version of the dialogue, which the students project clearly to the four groups of spectators around them. In the musical numbers the original Italian text is sung, again with surprising clarity considering that the singers always have their backs to some part of the audience. James Robertson conducts, assisted by Derek Clark, and despite the difficulties, keeps good ensemble. The score, a succession of charming, melodious arias interspersed with a couple of duets and a delightful trio (for Ascanio, Nena and Nina) is light-textured, inventive and apt.

Claire Powell makes a spitfire Lucrezia whose rich-toned voice is kept well under control. Ardian Martin sings gracefully in the tenor role of Ascanio; David Todd gives an amusing—and energetic—performance as the fantastic Don Pietro who is liable to succumb to any female in sight. Marie McLaughlin, who sings Vannella, Carlo's housekeeper, displays a pretty voice and a vivacious personality. Frances Chambers, as Cardella, the other housekeeper, puts across her dialogue with dry humour. As Carlo, Edmund Barham has to compete with a most attractive dog, and shares a round of applause with his friend. Maria Williams and Pamela Reed work hard as Nena and Nina, while Douglas Gibbs suffers vociferously as Marcaniello. There are further performances to-morrow and Saturday.

Festival Hall

Barenboim

by PAUL GRIFFITHS

Mahler and Bruckner on Tuesday again provided the programme for a concert in the London Philharmonic Orchestra's "Barenboim series," as they did last Thursday. Again Dietrich Fischer-Dieskau was present to sing five songs, inching forward from *Des Knaben Wunderhorn* to Mahler's next literary enthusiasm, the poetry of Rückert, and the *Kindertotenlieder*. For the Bruckner half, or rather the Bruckner two-thirds Barenboim and the orchestra moved back a decade from the Ninth Symphony to the Sixth. Once more this was a concert to show how very much separates two composers once twinned, though in other respects it was quite a different occasion from Thursday's.

The *Kindertotenlieder*, of course, impose a much quieter, more inward style than would be appropriate for Mahler's earlier, folksy ballads, and here their special qualities were emphasised. Barenboim took the cycle very slowly, extending it over something close to half an hour. If this caused Fischer-Dieskau any difficulty in phrasing, he did not let it show, but his accentuations occasionally sounded odd at so lingering a tempo. The principal advantage to him was that he had ample time to round out a most expressive treatment of sound and word. No point was missed, and yet, except at one or two moments, this did not seem too dramatic an account, for everything was given the sunset glow of recollection. The songs became expressions of pain from someone who has come to terms with his grief.

In the Bruckner, Barenboim also avoided the temptation to over-dramatise, except in the last minutes of the finale, where his attempt to outdo the movement's previous climaxes brought an ill-fitting rhythmic squareness and, as a result, an equally inappropriate hint of bombast. This was a pity, for the other movements had been expertly charted. The first, unlike the corresponding movement in the Ninth Symphony on Thursday, was paced and pointed as a whole; continuity was maintained through the structural breaks, and material was left not so much in the air as with a sense of "to be continued."

Barenboim displayed, too, a nice way with Bruckner's rhythms, which often sounded here quite definitely masculine or feminine. Those of the latter type were flowing and sinuous, ending in tendrils, while the former, still well proportioned, had marked outlines and momentum. That majestic brassy theme in the first movement, for example, was shaped to accord with the movement as a whole, but it was allowed its rude strength. Barenboim's conquest of Bruckner is clearly well under way.

Duff Cooper Prize

Denis Mack Smith has been awarded this year's Duff Cooper Memorial Prize for his recent book, Mussolini's Roman Empire, (Longman, £7.50, 322 pages).

The judges were Lord Norwich, Mrs. Anne Barton, Father Peter Levi, Professor Richard Ellman, and Mr. Christopher Hampton. In January there will be a formal presentation of the award in London.

EUROPEAN NEWS

Spanish PM must bring parties into mainstream

King Juan Carlos votes in the referendum, watched by his wife, Queen Sophia, at El Pardo near the royal palace outside Madrid.

BY ROGER MATTHEWS

MADRID, Dec. 15.

MILLIONS of Spaniards went to the polls to-day to cast their votes in a national referendum which, according to the Government, *will open the door to democracy* after 36 years of authoritarian rule.

Voters are being asked one simple question: "Do you approve the political reform proposals?" A hugely expensive publicity campaign was launched by the Government three weeks ago, advising voters to inform *themselves well, and then to* exercise their democratic right by voting Yes. A pop song entitled Speak, People, Speak was recorded by a group called Red Wine, and yesterday light aircraft swooped over Madrid throwing out thousands of pamphlets urging people to the polls.

What Spaniards are being asked to vote for is a proposal which would set up a two-chamber Parliament to replace the present single-chamber Cortes that was almost entirely appointed under the Franco regime. The Senate would mainly be chosen by the provinces, each selecting four members, but up to one-fifth of the house would be directly appointed by the King.

Juan Carlos is understood to have promised his more success*ful ministers*, especially Prime Minister Adolfo Suarez that they are guaranteed seats, which would remove the need for them to resign and stand for election.

It is rather more difficult for Spaniards to know what sort of lower house, or Congress, they will be voting for. During last-minute backstage bargaining in *the Cortes* a month ago the Government partially acceded to right-wing demands that a modified form of proportional representation be employed to prevent a fragmentation of the house, and that a certain number of seats should be specifically awarded to the provinces, where the ultra-conservatives believe *their true strength lies.*

Neither on this occasion are *Spaniards voting for the electoral* law, which has still to be drawn up and which will fix such vital elements as constituency boundaries, availability of television and radio time, and many other important points. Equally, nothing is yet set down about how the Government should be chosen and the precise relationship between cabinet and parliament.

That the referendum is only a first step towards a more democratic system can be seen by the fact that nearly all left-wing and centre parties remain illegal. Somehow in the weeks ahead the Premier has to convince these parties to compete, if he is to ensure that *to-day's voting has* any long-term relevance.

The Government was this morning supremely confident of winning a substantial majority for its proposals, but would like a Yes vote significantly below the last two referenda, of 1947 and 1966, in both of which General Franco not surprisingly scored more than 90 per cent.

Voting up until late afternoon was very slow in some areas, *especially in the industrial zones* of the Basque country, in north-eastern *Catalonia, and in* southern Madrid, where abstentions will be highest.

Most left-wing parties have told their supporters to boycott the referendum because democratic conditions do not exist.

Two bombs were defused in the Basque region this morning and riot police charged left-wingers campaigning for abstentions *in the city of Pamplona.* Most left-wing parties, and especially those that are banned from participating in next year's general elections, *have* told their supporters to boycott the referendum because democratic con*ditions do not exist.*

Meanwhile, casting a further cloud over the novelty of voting, is the threat to the life of Senor Antonio Oriol, president of the Council of State who was kidnapped from his office last week-*end. A brick hurled through the* office window of a newspaper here this afternoon had wrapped around it a note stating that the hostage would die within 48 hours if 15 named prisoners, all convicted or awaiting trial for terrorist offences, were not released.

There is nothing yet to confirm *the authenticity of the message*, but the Government is rightly worried about a sharp escalation of violence if Senor Oriol is not released unharmed. Parts of the extreme Right, which has been campaigning under the slogan "Franco would have voted no," is obviously restless and will do its utmost to realise its own fore*cast that* liberalisation will only lead to civil and economic chaos.

Sr. Suarez said on television last night that violence was not and would not be the language of the Spanish people. But with over 40 political deaths in the *year since General Franco died*, the vast majority of Spaniards who vote "yes" to-day will also be hoping that the law is now going to be applied more vigorously and impartially.

At the same time the Prime *Minister has to* begin convincing the many people who refuse to go to the polls to-day that his is a genuine democratic effort and not just a manoeuvre that will fill the new parliament with the same faces that have dominated the political scene over the past decades.

Schmidt wins re-election on first ballot

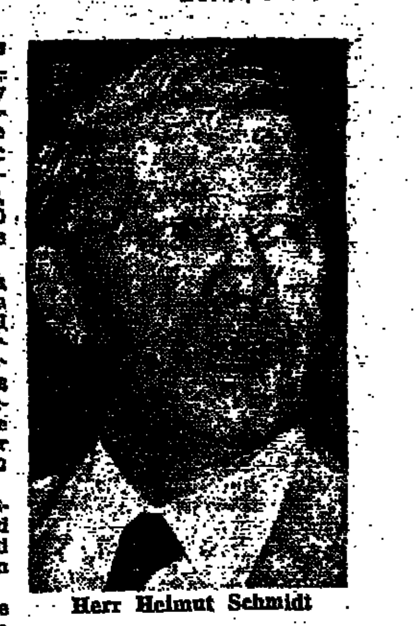
BY ADRIAN DICKS

BONN, Dec. 15.

HERR HELMUT SCHMIDT was re-elected as West German Chancellor to-day on a first ballot by the newly installed eighth Bundestag. Strenuous efforts by the whips of his Social Democratic Party, and of the Free Democrats, their coalition partners, succeeded in giving him 250 votes, one more than a bare majority.

Although the coalition parties combined, have 254 deputies in the new Parliament, several cases of illness and lingering disaffection over the Government's handling of the pensions issue last week *had led to un*certainty up to the moment the vote was announced about Herr Schmidt's chances of success on the first ballot.

By avoiding the embarrassment of a second or even a third ballot, the Chancellor has gained a minor but useful demonstration of support.



Herr Helmut Schmidt

But in other respects the morale of the coalition is more than a little subdued as it enters a new four-year term, and it will be *important for Herr Schmidt* to seek to rally deputies when he formally presents the Govern*ment's programme* to Parliament to-morrow.

There was one last-minute Cabinet change to-day, when the incumbent Minister of Labour, Herr Walter Arendt, insisted on resigning, reportedly against the *wishes of Herr Schmidt.* He has been strongly attacked, in particular by the FDP, for the state of confusion in the finances of the old-age pension system.

The Free Democrats are especially angry at a compromise solution cobbled together late last week that would shift some of the burden of pensions onto *the health insurance scheme*, and lead to an increase in health contributions by middle-income earners.

Herr Arendt is to be replaced by Herr Herbert Ehrenberg, formerly a State Secretary in the Labour Ministry. There are two other new ministers: Frau Antje Huber at the Health, Family and Youth Affairs Department, and Frau Marie Schlei, a former Parliamentary State Secretary to Herr Schmidt, who becomes Minister for Overseas Economic Aid.

Herr Egon Bahr, former Chancellor *Willy Brandt's right-hand* man in Eastern European Polic[y] and still an important contac[t] man between Bonn and Moscov[w] has left the development por[t]folio to become SPD Secretar[y] General.

Otherwise the new Cabin[et] shows little change. Her[r] Schmidt has evidently not bee[n] impressed by criticism that t[oo] many of his ministers are "gre[y] mice," who may be competen[t] departmental administrators b[ut] in several cases lack politic[al] flair and popular appeal.

Herr Schmidt made little of t[he] fact that at least two membe[rs] from the Government bench appeared to have voted again[st] him. It was believed here [to]night that his success on the fi[rst] ballot was closely linked to t[he] sudden and unexpected resign[a]tion of the Minister of Labo[ur] Walter Arendt, who had fall[en] foul of the Free Democrats, be[r] over the pensions issue and ov[er] the implementation of t[he] worker participation *(Mitbesti[m]mung)* Act passed earlier t[his] year.

Her Arendt's displacement [by] Herr Erbert Ehrenberg at t[he] last minute was seen as a sign[ifi]cant strengthening of the Gove[rn]ment's economic team. He [is] widely acknowledged as [an] expert, both on broad econon[mic] matters and particularly on t[he] *problems of old age pensions*

Warning by OECD on Portuguese economy

PARIS, Dec. 15.

THE ORGANISATION for Economic Cooperation and Development to-day urged Portugal to take "urgent policy action" to clarify the economic situation, reduce prevailing uncertainties and start redressing the country's imbalances.

In its annual survey, the OECD says Portugal's difficult situation is partly due to the disruptive effects of the prolonged political and social upheavals and also to transition problems arising from its withdrawal from Africa. "The present imbalances in the economy *call for measures to* keep the high rate of inflation under control, restore a more adequate financial position in private and public enterprises and keep within limits the external deficit," it says.

According to OECD economists, the stabilisation measures would imply a temporary reduction of real private consumption and a curtailment of the volume of *public consumption to allow a* shift of national resources towards investments and exports. Also needed are measures to insure a lasting recovery of productive investments.

A major constraint to economic growth is the balance of payments situation, the survey says, noting that the current account, which had been in substantial surplus from 1966 *to 1973, showed deficits of* $823m. in 1974 and $734m. in 1975. These deficits, to which must be added net outflows of non-monetary capital in 1975 were financed by heavier official borrowing from abroad *and substantial drawing on re*serves.

AP-DJ

Blast in Lisbon

Following the breaks in Lisbon communter services and the city's water supply by bombs last week, another explosion wrecked the offices of the Right-wing weekly O Pais in the city centre yesterday, *writes our Lisbon* correspondent. Meanwhile, a 24-hour strike by postal workers left the capital without letters and disrupted telephone communications.

EEC rules on doctors may strip U.K. of specialists

BY OUR FOREIGN STAFF

THE introduction on December 20 of directives enabling the EEC's 450,000 doctors to practise in any of the Nine member states, subject to specific training and experience requirements, *could seriously* deplete the U.K. of certain specialists.

Radiologists, pathologists and anaesthetists—who, having less immediate contact with patients would be less likely to be hindered by language restrictions and *for whom there is* avid demand throughout the EEC—will be among those most likely *to emigrate*, Mr. Walpole Lewin, president of the Standing Committee of Doctors of the EEC told a Press Conference yesterday.

A panel of British Medical Association and EEC officials at the conference agreed that emigration of specialists and, to a lesser extent general practitioners, to EEC countries with higher income levels could cause major problems for the U.K. health services.

Conversely an influx of British doctors could seriously disrupt health services in these higher-*income countries.* The General Medical Council has already received about 300 inquiries regarding speciality certification, necessary for practising elsewhere in the EEC, including 25 firm applications.

The consequences, Mr. Lewin said yesterday, could be a decline in British medical *standards, a decline which some* say has already begun. Unless Britain produces quickly the resources for improved facilities, career structure and salaries, highly qualified doctors cannot be expected to stay here, he added.

The emigration of British doctors is expected to be felt *most acutely* in specialist fields. Whereas British general practitioners may emigrate, this would probably be offset by an inflow from the Continent where an overall surplus of GPs already exists. Unofficial estimates indi*cate the surplus of GPs within* the EEC will reach 40,000 in the next five to six years. Moreover Britain's Commonwealth doctors are not affected by the new directives and are expected to provide a constant factor.

The medical *directives*, signed 18 months ago after 16 years of negotiation, are the first of 40 directives for free movements of the professions within the EEC. They are widely regarded as a blueprint for other professions—including law, architecture, pharmacy, engineering, accountancy and nursing—currently negotiating similar agreements. Some of these are already well advanced, approval of barristers and architects directives may be complete before Christmas.

WEST GERMANY

Influx would fuel *costs explosion*

THE financial incentives for doctors from low-income EEC countries to seek work in Germany are also high. Health Ministry officials in Bonn are *concerned that a large influx of* doctors from other countries may cut into the average number of patients—and hence earnings—per doctor, possibly causing a proliferation of tests and "items of treatment" on which remuneration is based. This could only fuel a health costs explosion which is already a major problem for the West German Government.

Estimated pre-tax incomes in 1975 for doctors practising outside the hospital system ranged as high as DM170,000 (£42,500), with an average turnover esti*mate of DM250,000 to DM300,000* in 1975—half of this being income and the rest upkeep and new equipment expenditure.

Hospital doctors receive between DM60,000 and DM100,000, according to the Health Ministry—made up of both salary and additional fees. Consultants and professors with a private practice *within the hospital system earn* much more.

Although, at a ratio of one doctor for 745 head of population West Germany seems to have more than enough, there is an extreme shortage of psychiatrists *and of general practitioners.* There is a particular problem in some rural areas and in what the Ministry describes as "ghetto" areas within bigger cities.

FRANCE

Financial incentives are very high

Whether France can absorb a large influx of foreign doctors is highly questionable but certainly the financial incentive for British doctors to move to France is high.

GP's in France earn an average £15,000 to £16,000 a year at current exchange rates while, within the U.K. National Health Service, the target net income set by the Medical Review Body on Doctors' and Dentists' Pay is £8,400 to £8,500. French surgeons and radiographers, among the highest-paid doctors in France, earn up *to £70,000* a year according to reliable French estimates. Full-time British NHS consultants earn between £7,536 and £10,680—though specialists operating outside the NHS have the opportunity to earn considerably more.

So far, it has been very difficult for foreign doctors to practice for more than short periods in France, since they have been required to have French nationality. Saturation point has not yet been reached but the supply of doctors has more or less kept pace with demand and there is no overall shortage of doctors in the country.

Shortages exist in the regional distribution of doctors, most of whom want to practise in the lucrative Paris area. Any foreign doctor coming to France would, therefore, have a better chance of finding work in the provinces, both in private practice and in hospitals.

Some 95 per cent. of all French doctors are registered national health service practitioners.

BELGIUM

National privileges to be protected

ALTHOUGH EEC officials in Brussels say that talk of a sudden exodus of doctors from the U.K. *or any other EEC country* are alarmist; some Belgians fear that free movement may erode the particularly privileged financial position of the country's doctors. The Belgian Government was the last EEC member *to accept the directives.*

However, Commission officials say that there is no more reason *for members of the professions* to cross the Channel in larger numbers than for other workers, who have had the right of free movement since the EEC was established.

French predict drop in industrial investment next year

BY ROBERT MAUTHNER

PARIS, Dec. 15.

THE GENERALLY pessimistic picture of the French economic situation given by the latest industrial production and employment indicators is confirmed to-day by official forecasts of a fall in industrial investments in 1977.

Though investments rose by 12 per cent. in value in 1976, they went up by no more than 3 to 4 per cent. in volume, a surprisingly low figure given the Government's *expansionary* measures adopted in the autumn of 1975. Next year, according to the National Institute of Statistics (Insee), they can be expected to decline by 2 per cent. in volume and rise by only 6 per cent. in value.

The official figures are borne out by the replies given by in*dustrialists to a questionnaire on* the state of their order books for capital goods. These indicate that orders stagnated during the second half of this year at their low first half level and that only a very slight improvement is expected during the first six months of 1977.

The investment outlook, how*ever, varies from sector to sector.* While a sharp fall is expected in the metals industry, investments in the motor and glass industries should make a substantial recovery while those in the oil industry are expected to maintain their current progress.

Clearly, the Government's September austerity package and the *poor world economic outlook* for at least the first six months of 1977 has largely contributed to the slack investment climate.

The cautious attitude of investors is a particular thorn in the Government's flesh and has been sharply criticised by M. Raymond Barre, the Prime Minister. Failing a resumption of *capital investments, prospects of* a sustained recovery of industrial production and reduction of the high level of unemployment, currently running at well over the 1m. mark, remain dim, thus undermining the Government's whole economic strategy.

Shipbuilding aid plan

BY DAVID CURRY

PARIS, Dec. 15.

THE FRENCH *Government is to* step up assistance to the shipbuilding industry and to encourage French operators to place their orders in this country. At a Cabinet meeting devoted largely to maritime questions it was decided to provide special financial aid to the eight small shipbuilders who play an impor*tant role as employers in their* regions. Details were not revealed.

The Cabinet *also reaffirmed* the target of having half of France's seaborne trade carried under the French flag by 1980. Since 1973 the freight deficit in the balance of payments has been cut from Frs.2.8bn. to Frs.1.8bn.

Some 3.3m. tons of shipping has been ordered by French *lines since 1974 and French* yards, which employ 30,000 people and upon which up to 100,000 jobs ultimately depend, are estimated to have enough work until the end of next year.

There is speculation that the Government may be tempted to push for further mergers in the industry.

The Government has also reaffirmed its intention to push for "a rapid and lasting" recovery in the world shipbuilding market through international agreement, and to intensify its *action against abuses of flags of* convenience, but here again the precise nature of the action has not been spelled out.

● For the second day running power supply workers staged a two-hour strike to-day in protest *against the Government's refusal* to honour a clause in public sector wage contracts guaranteeing a 2 per cent. annual increase in real wages. Homes and offices were blacked out, traffic lights put out of action, and the Paris *Metro halted. The parallel gas* strike had a much smaller impact, while industrial action in postal sorting offices has so far not caused the mail service to be noticeably worse than usual.

Ortoli seeks joint action

BY DAVID BUCHAN

LUXEMBOURG, Dec. 15

IN HIS LAST appearance before the European Parliament as Commission President, M. Francois-Xavier Ortoli said to-day that he was hopeful that member states are now looking at their economic situation in a common light. He saw this new convergence of views on economic diagnosis and remedies as a prelude to genuine action.

M. Ortoli admitted, however, that even three years after the oil crisis member states economic situations are at present "as far out of step as ever." Annual inflation rates currently ranged from 18.5 per cent. to 5 per cent. Balance of payments positions still differed sharply and growth rates still lag below their pre-*crisis levels.*

Without referring to the present difficulties over EEC green currencies, and Britain's green pound in particular, M. Ortoli defended the Common Agricultural Policy (CAP) whose c[ost] he said was "high but not ex[or]bitant." It has, in spite of so[me] big jumps in world pric[es] assured EEC consumers of re[gu]lar food supplies at steady pric[es]. Referring to the EEC's ene[rgy] policy, he called for a new ini[tia]tive, *to be undertaken under* [the] Commission Presidency of [Mr.] Roy Jenkins, on nuclear ener[gy] so that the Community co[uld] reduce its current 60 per ce[nt.] dependency on energy impor[ts]

Commission steel ruling soon

BY GUY DE JONQUIERES, COMMON MARKET CORRESPONDENT

BRUSSELS, Dec. 15.

THE EEC *Commission* is expected to decide on Monday on the allocations of the voluntary sales quotas for finished steel products, which are due to be put into effect by steel producers in the Nine under the Simonet plan *for combating the industry's* difficulties. The precise distribution of the quotas will not be published, but it is understood that proposals drawn up by Commission staff call for the deepest proportionate reductions to be borne *by producers in Germany*, Belgium and Luxembourg, which are the biggest exporters to other markets inside the EEC, and which also have the greatest surplus production.

It is also understood that the quotas recommended for the British Steel Corporation will entail only modest cutbacks in recognition of the fact that the gap between the company's output and orders is smaller than that *of many* Continental producers.

The extent of the overall reduc*tion which the quotas envisage* for products is expected to vary considerably from category to category. By comparison with sales in the first quarter of this year, the deepest cuts are likely to be for wire rods, reinforcing bars and merchant bars, since imports of these products into the EEC have grown especially *sharply in recent* months.

On the other hand, sales quotas for cold rolled sheet steel are *expected to be fairly close to* levels during the first quarter of this year. Other categories covered by the Simonet plan are beams and heavy and medium plate.

To-morrow, the statistical basis on *which the proposed quotas* have been calculated (though not the quotas themselves) is due to be presented to the consultative committee for the European Coal and Steel Community in Luxembourg for approval. If all goes *smoothly, details of the quotas* themselves will be submitted to the 13 individual Commissioners *on Friday evening, In advance of* their meeting next week.

Though the Commission has already said it considers the steel industry to be in a state of crisis warranting the implementation of the Simonet plan, the outcome *of its next meeting cannot* yet be taken entirely for granted. It is possible that the proceedings could become bogged down in discussions of demands by German, Luxembourg, Dutch and Flemish producers that the Com*mission recognise* the Benelux grouping which they formed earlier this year.

Irish fish boycott threat

BY GILES MERRITT

DUBLIN, Dec. 15.

IRELAND'S tough stance in Brussels over the fisheries dispute has not been tough enough, according to Irish fishermen. The Irish Government has been more obdurate and nationalistic than the British during the last three months of inconclusive negotiations, but the Republic's fishing industry organisation is now threatening to boycott next week's round of EEC talks.

Its discontent has been brought to a head by reports that Foreign Minister Garett FitzGerald has dropped Ireland's demand for an exclusive 50-mile limit in favour of a six-month interim measure which would give special protection to the Irish coastal areas in danger of being fished out. Leaders of Irish fishermen's organisations have stated, "we cannot be seen to be a party to this proposal. It is not nearly strong enough." Unless immediate steps are taken *to protect their fishing* grounds, the £35m. Irish industry, which employs 3 per cent. of the Republic's work force will cease to exist by 1981, the leaders say.

THE FINANCIAL TIMES, published daily except Sundays and holidays. U.S. subscriptions $167.00 (air freight) $335.00 (air mail) per annum. Second class postage paid at New York, N.Y.

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American news

Bank support still lacking for NY crisis plan

BY JAY PALMER NEW YORK, Dec. 15.

EW YORK City financial ficials were this morning re- rted to have designed a de- iled plan which would eoretically enable the city to lve its latest financial crisis id comply with the court- dered repayment of more an $1bn. of its short-term debt.

It is understood that this plan as this morning delivered to e Flushing National Bank, the ew York suburban bank which as the principal architect of st month's successful legal allenge to the city's morator- m on its debt payments.

However, officials from the ty, the Municipal Assistance rporation (MAC) and the ushing Bank to-day refused to nfirm if the plan had been livered. The city has always sisted that it would stand by self-imposed deadline and me up with a plan by to-day.

As with nearly all of New rk's past "solutions" to its merous financial crises, this test scheme is understood to based on a combination of rther interest and repayment ferral on debt held by insti- tions and more cash grants d city debt purchases by the nks and city pension funds.

The big problem is that this orning the key creditor banks and pension funds, whose co-operation is essential to the success of any new scheme, were still insisting that they had not yet agreed to participate.

While the leaders of the largest city unions were demanding dramatically increased federal Government aid as the price of further union involvement, the largest banks are insisting that their fiduciary responsibilties to shareholders prevent them from buying any more city debt.

It is widely assumed here that the latest package must be very similar indeed to the vague scheme unveiled by city officials last week. Based partly on the discovery of an unexpected city cash surplus, the scheme called on the creditor banks and pension funds to buy a further $200m. of city debt and accept less interest and longer repayment on existing holdings.

Although the original court order stressed that New York City should not be forced into bankruptcy by repayment of this $1bn. of short-term notes, officials for the Flushing Bank have made no secret of their intention to return to the court early in the New Year if no feasible solution is discovered.

Byrd tipped in race for Senate majority leader

BY JUREK MARTIN, U.S. EDITOR WASHINGTON, Dec. 15.

SEEMS increas'ngly likely at Senator Robert Byrd of est Virginia will become the xt Democratic leader of the nate, succeeding the retiring ke Mansfield.

What had been a three-man ntest for the position was re- ced to two late yesterday when nator Ernest "Fritz" Hollings South Carol'na withdrew. lthough he pledged his support Senator Hubert Humphrey om Minnesota, he made it quite ear that he thought Senator yrd would win.

The 62 Senate Democrats will eet on January 4 to choose eir new leader. In Mr. Holl- ngs' view, Senator Byrd, cur- ently the majority whip, now as about 32 votes, Mr. lumphrey 12, with six undeci- ed. Mr. Hollings had 12 pledges f support himself but he said hat in spite of his own personal ndorsement of Mr. Humphrey bout five of his erstwhile backers would switch to Mr. Byrd.

Mr. Holling's assessment is more or less in line with that of other Senators, though Mr. Humphrey, who has made a remarkable recovery from cancer surgery in the autumn, appears determined to fight on, at least for a while.

The major criticism of Mr. Byrd, given voice again this morning in a leading article in the New York Times, is that while he is a formidable parliamentary tactician and therefore an excellent Senate whip, he is not blessed with original ideas and the qualities that make a good leader.

Mr. Byrd was once among the most conservative members of the Senate and he is still no flaming liberal. But over the years, he has shifted perceptibly to the left and has managed to still some of the more profound liberal reservations about him.

U.S. defence boost likely

BY OUR OWN CORRESPONDENT WASHINGTON, Dec. 15.

HE FORD administration is kely to allocate $123bn. for efence in the budget for the xt fiscal year which it will un- il just three days before Mr. arter takes office.

This represents an increase of pproximately $10bn. over the rrent fiscal year. The Pentagon d originally put in for a budget at least $125bn. and preferably ore like $130bn., but was aten down by the Office of anagement and Budget.

Even so, the Defence Depart- ent believes it will be hard for Carter to trim much from the 23bn. figure, without making sort of major policy decisions at he may be reluctant to kle initially.

In the course of the election mpaign, Mr. Carter said that bn.-7bn. could be cut from fence spending, mostly by con- trating on the manpower side. wever, it was never quite clear ether he was talking of an solute cut or a reduction of at magnitude in the growth of fence spending.

The new President will have 30 days after the presentation of the budget in which to make changes. It is felt that on the defence side they cannot be more than cosmetic. Even cancellation of a major project such as the B1 bomber would have relatively small financial impact now because funding of the project is proceeding at only a reduced as a result of congressional directives.

Much may depend on whom Mr. Carter chooses as his Defence Secretary. The principal contenders appear to be Harold Brown, president of Caltech University, and Dr. James Schlesinger, Mr. Ford's Defence Secretary until late last year when he was fired, in part for resisting attempts to prune defence spending.

Dr. Brown had appeared to be the favourite for the job but Mr. Schlesinger's case has been vigorously argued by conservative Democrats led by Mr. George Meany the trade union leader, who shares with Mr. Schlesinger a deep distrust of detente with the Soviet Union.

Young may be UN envoy

BY DAVID BELL WASHINGTON, Dec. 15.

HETHER OR not he does get a h post in the new Carter ad- nistration—the latest strong eculation is that he may be S. Ambassador to the UN— presentative Andrew Young, a ck Atlanta Congressman, is ng to be playing an important e in the next four years.

President-elect Carter has been ing for months that Mr. Young the only man to whom he owes olitical debt, while Mr. Young, close lieutenant of the late Dr. rtin Luther King, has been in- ting that he would not accept igh post in the new team, it s his success in swinging the ck vote behind Mr. Carter that y probably assured his victory t month.

There are now some signs that Young may be on the verge changing his mind. Even if does not, his views on Africa going to be very influential the coming months and yester- y he gave the United Nations reign Press Association a mpse of them. This under- ed what a contrast he would to most of his predecessors the Cabinet level job of Am- ssador to the UN.

Mr. Young is a veteran of the non-violent civil rights campaign of the early 1960s and he referred to this yesterday on his return from a trip to southern Africa. "I feel very much at home in southern Africa—it was just like travelling in Mississippi or Lousiana or Georgia when I was a child.

"The Afrikaaners reminded me —it is a terrible thing to say— of the old southern Baptists. There is awful familiarity. But that is why I cannot give up on South Africa because I know how far people have come and can come if they have to. And I see stirrings among the whites in South Africa that reminded me of the early days of our own civil rights movement in the south."

It is these experiences which have given Mr. Young a strong, if gently expressed, belief in the need for "morality" in U.S. foreign policy. He told his audience yesterday that he believes that southern Africa may be the place in which the U.S. can "re-establish its credibility" in much of the world.

Jamaica votes amid tight security

KINGSTON, Dec. 15.

TING took place amid tight urity in Jamaica's crucial neral elections to-day after the st violent campaign in the land's history.

Some violence has always tached itself to Jamaican litics, but Prime Minister ichael Manley told a news nference yesterday that this time "we have had the really quite awful experience of gunmen getting involved."

A number of people have been shot, including two candidates, and one of them, Mr. Ferdie Neita of Mr. Manley's People's National Party (PNP), was still seriously ill in an intensive care unit to-day.

Reuter

The United Nations

Pivotal role ahead for Waldheim as peacemaker

BY OUR OWN CORRESPONDENT

THE FIRST 90 days of Dr. Kurt Waldheim's second five-year term as United Nations Secretary-General, coinciding with the advent of a strongly pro-UN Secretary of State in Washington, may well turn out a critical testing period for the world body. If it comes through with a modicum of success, a base may be formed for other advances, and the fulfilment of Dr. Waldheim's aim of making the UN "more effective and more relevant to the life and the problems of the peoples of the world in the last quarter of the 20th century."

Work closely

His main preoccupation when he begins the new term, on January 1, will continue to be the Middle East. A General Assembly resolution adopted a few days ago gives the Secretary-General until March 1 to report on the efforts he must undertake to get the Geneva peace conference going by the end of that month. As the U.S is co-chairman of the conference, with the Soviet Union, Dr Waldheim will have to work closely with the incoming Secretary of State, Mr. Cyrus Vance, who in turn will need to use all America's influence with Israel, to resolve the problem of representation in the peace negotiations.

The Israelis are ready to go to Geneva at short notice if participation in the talks is limited to those invited to the first brief round there three years ago. But the General Assembly, at the insistence of the Arabs, has declared that the Palestine Liberation Organisation also must be fully involved in the negotiations. That gives the Secretary-General very little room for manoeuvre. Nevertheless, he remains optimistic On December 8, after the General Assembly had confirmed his reappointment, he told journalists that the chances for progress on the Middle East question had never been better, and there was a good prospect of overcoming the obstacles and going back to Geneva.

Dr. Henry Kissinger's impending departure from the international diplomatic scene and the entry of Mr. Cyrus Vance—long an extremely active supporter of the UN as chairman of the UN Development Corporation and a director of the UN Association of the U.S.—combined with a renewed Arab emphasis on the need for greater UN involvement, will almost certainly give the Secretary-General a pivotal role in the peace-making effort. After Dr. Kissinger it may now be Dr. Waldheim's turn to become famous for shuttle diplomacy. He believes in the usefulness of constant motion. It is a technique he has applied in previous dealings with the Arabs and Israelis, and in the Cyprus dispute, another of his continuing major concerns. As he told an interviewer recently, even when Governments are not yet ready to move, it is better to keep them talking and exchanging messages. Then, when they are ready, there is a channel—himself as the embodiment of the UN—open and available.

KURT WALDHEIM ... second term full of risks, and a possible Middle East breakthrough.

It is probably a good augury for the diplomatic trials ahead of the Secretary-General that the General Assembly session now drawing towards adjournment has been one of the calmest in the UN's 31-year history. Delegates on all sides appear to agree that it has been a period of marking time. As at every session there have been angry debates. But, on the whole, tempers have been relatively cool. Even discussion of the southern African questions—which dominated the agenda, though seldom the headlines—was not quite as bitter as many Western members had feared. Resolutions on many matters, some of them running to several pages of text, were marked by the customary UN hyperbole. But Dr. Waldheim is unlikely to find them a severe handicap.

Of course, there are questions of principle on which he dare not compromise. For instance, he has already reiterated that South Africa must change its *apartheid* policy as "the precondition for any restoration of a normal relationship," and that the Namibia (South West Africa) problem "has to be solved within the framework of the United Nations." Mindful of what befell two of his predecessors, Mr. Trygve Lie and Mr. Dag Hammarskjold who lost the confidence of one or more of the great powers, he must assiduously safeguard his standing with the five permanent members of the Security Council—Britain, China, France, the Soviet Union and the U.S. Any one of them has the capacity to destroy his diplomatic usefulness. In this respect, his position, and therefore that of the UN itself, is stronger now than when he was first appointed in 1971 to succeed U Thant. Then he was vetoed initially by China and Britain, which abstained when he was finally nominated by the Security Council. This time all permanent members voted for his re-election.

The most ardent believers in the UN will not deny that the organisation has fallen far short of the hopes that were entertained for it by the principal founders, especially the U.S. and Britain. Objective observers see the hypocrisy and double standard of so many resolutions and declarations, and the failures in the protection of human rights, as perhaps its greatest drawbacks. The fiercest critics of repression in southern Africa and Chile often come from countries where dissent is put down with equal or worse brutality, and where opponents of those in power are destroyed in psychiatric hospitals or disappear without trace.

Dr. Waldheim has been accused by some of speaking out forcefully against the UN's official pariahs while remaining silent about violations in states with political power. What is not generally known, however, is that his silence often masks much personal, private activity on behalf of the oppressed, any hope for the success of which would be totally lost if he issued public pronouncements. Like Mr. Hammarskiold before him, Dr. Waldheim is a great believer in quiet diplomacy.

World affairs

An American commentator recently observed that the Secretary-General had to struggle against a commonly-held suspicion: not that he was performing a mischievous or destructive role in world affairs, but rather that he was performing no role at all. Those who have watched him closely since he took office on January 1, 1972, know this suspicion to be unfounded. It is common knowledge that he undertook peace missions to Cyprus, Syria, Egypt, Israel, Yemen, Iraq, Iran, Guinea, and Western Sahara, among other trouble spots. Given the smallest encouragement, he would try his hand in Northern Ireland. In fact, he has often been criticised for spending too much time in orbit—sometimes seeming to rival Dr. Kissinger's globe-trotting—and not enough time attending to pressing administrative problems of the far-flung UN family in its New York or Geneva headquarters.

It is easy to be sceptical about the UN and to cite its failures as evidence that all the talk and running around are so much wasted energy. But the question that has no answer is, where the world would have been without it. The problems facing Governments now, more than ever, are global. Most acknowledge that they can hardly be tackled, let alone resolved, without an international structure of institutions in which all nations, large and small, rich and poor, are represented.

Shortly after his re-election, the Secretary-General expressed his own assessment of global priorities: "As far as the political situation is concerned, we shall be faced with more or less the same problems—the Middle East, southern Africa, Cyprus, and disarmament, among others. And we shall have to solve them. I hope that this will be possible in the coming years. But I think that what will have the most significance in the years to come is the North-South dialogue. That will be the great challenge. Let there be no doubt about it —if that relationship is not solved in a positive way, there can be no political stability in the world."

OVERSEAS NEWS

Iraq says Syria to blame for bomb blast

By James Buxton

IRAQ yesterday accused Syria of responsibility for the bomb explosion at Baghdad airport on Tuesday evening which according to early reports killed at least three people and wounded scores more, at least ten of them seriously. According to the *Iraqi News Agency* the bomb was in a suitcase unloaded from an Egyptair aircraft, whose last port of call had been Damascus, the Syrian capital.

The agency, which made no statement for more than 12 hours after the explosion, said that an investigation had shown that the suitcase, containing 7 to 8 kg of high explosive, did not belong to any of the passengers on the aircraft, and that the whole operation had been carried out by the authorities at Damascus International Airport. Two Iraqis and a Saudi were killed, while those wounded included West Germans, Japanese and Greeks, as well as Iraqis and other Arab nationals.

In London, a British Airways spokesman said that as many as ten people may have died and as many as 400 been wounded.

The Iraqi Government produced no evidence to support its claim of Syrian involvement, but observers in the Middle East and in London believe that in the present context of deep distrust between the two rival Baathist regimes a Syrian-inspired move should not be ruled out.

Iraqi officials have recently spoken openly of working for the downfall of President Hafez Assad's regime in Damascus. Palestinian terrorists who carried out an attack on the Semiramis Hotel in Damascus in September were said to have been trained in Baghdad, and Syria has accused Iraq of responsibility for the assassination of an Iraqi member of the National (pan-Arab) Baath Party leadership in Damascus in July.

Breakaway

A breakaway Palestinian movement known as Black June has claimed responsibility for the hotel attack, for another in Amman in November, and for the attempt on the life of Syrian Foreign Minister Abdul Halim Khaddam outside Damascus at the beginning of this month. The movement, led by Abu Nidal, is known to be based in Iraq and enjoy government backing.

Iraq only recently started withdrawing the four or five divisions it moved to the Syrian border in June to try to deter Syrian intervention in Lebanon.

Two other possible explanations of the explosion cannot be ruled out at this stage. The first is that it was organised by Kurdish opponents of the Iraqi regime. Although the Kurdish war ended in March last year, there have been some flickerings of revolt since then. Earlier this year there were bomb explosions in both Kirkuk and Basra, the perpetrators of which have been officially named.

Earlier this week the Iraqi Information Minister, Mr. Tariq Aziz, accused a Damascus based Kurdish activist, Mr. Jalal Talabani, of being behind shooting incidents inside Iraqi territory near the Syrian border. Mr. Talabani was once a close associate of the Iraqi Kurdish insurgent leader Mulla Mustafa Barzani, and can be assumed to be operating with Syrian acquiescence, if not approval.

Western diplomatic sources, however, did not rule out the possibility that the explosion might have been caused by internal opponents of the Iraqi regime. With President Bakr unwell, and the "strong man" of the regime, Vice-President Saddam Hussein Tikriti in an increasingly influential position, there might be some temptation for his enemies to suggest that the regime was not as stable as it appears by staging a bomb explosion.

Van Der Byl opposed to an enlarged British role

BY BRIDGET BLOOM, AFRICA CORRESPONDENT

MR. IVOR RICHARD, chairman of the now adjourned Geneva conference on the future of Rhodesia declared to-day that he thought the conference had been "a modest success." But the Rhodesian Foreign Minister, Mr. Pieter Van Der Byl, said that "really nothing had been achieved, nothing at all," and a settlement was further away than at the start of the conference.

Referring to the idea of an enlarged British role in the interim government, and in particular to the appointment of a Governor-General type figure, Mr. Van Der Byl said this "proposition was not something which the Rhodesian Government could or indeed would agree."

On the idea of a British-appointed Governor-General or High Commissioner having responsibility for law and order and defence, he said: "The Rhodesian armed forces would certainly not take orders from a man they have never seen before and probably hope never to see again."

Speaking at Heathrow Airport on his return from Geneva, however, Mr. Richard said: "Britain has to play a direct role. The purpose of my going to Africa is to define that role." He also expressed himself optimistic that agreement on Rhodesia could be reached by January 31.

Referring in Geneva, to his forthcoming visit to Africa, Mr. Richard said that he hoped to be able to take "positive new ideas" from Britain. The main task was to assure the nationalists of the irreversibility of the transition to independence and to assure white Rhodesians that the transition would be orderly and peaceful and that they would have a role in an independent Rhodesia.

Mr. Richard felt that the elements for a "sensible interim Government" existed, but he did not deny the difficulty of "slotting them together." He suggested that this process could delay the resumption of the conference on January 17, although he hoped that it would not.

Quite how hard Mr. Richard's task in Africa will be was underlined heavily by the toughness of Mr. Van der Byl's remarks and his pessimistic attitude to progress so far. He said attitudes had been allowed to harden he said and the main business of the conference—the implementation of the Kissinger Plan, which Mr. Van Der Byl again termed a "contract," had not even been discussed.

The Foreign Minister was sceptical and suspicious of the value of Mr. Richard's mission to Africa. The main preoccupation of the British seemed to be to arrive at a consensus on the black side "and then present us with an agreed formula which would be so far removed from the spirit and framework of the original Kissinger proposals that we would have to reject it," he said.

Meanwhile in a strongly worded joint statement, Mr. Robert Mugabe and Mr. Joshua Nkomo, leaders of the Patriotic Front, repeated their view that the conference's purpose was to arrange a speedy transfer of power to the majority. They ruled out of hand the Kissinger Plan, which they referred to as a "dangling imperialist carrot" but made it clear that the intended to return to the resumed conference next month.

PLO call for 'independent state' raises Mid-east peace prospects

BY IHSAN HIJAZI

BEIRUT, Dec. 15.

THE PROSPECTS for a Middle East peace settlement may have been significantly improved by a shift in the position of the Palestine Liberation Organisation, following the three-day meeting of its Central Council in Damascus. The council adopted a resolution calling for the establishment of an independent Palestinian state as one of the national rights of the Palestinian people.

This is the first time the phrase "independent Palestinian state" has been used in official PLO statements. Hitherto, the official phrase has been "establishing a Palestinian national authority."

Observers here say the shift may be tactical but is nevertheless quite important. They consider that the PLO may have started giving priority to a negotiated settlement of the conflict with Israel rather than armed struggle.

The shift does not yet spell out the specific boundaries for the proposed state. However, PLO leaders, including Chairman Yassir Arafat, have implied they would be prepared to accept a state in the West Bank and the Gaza Strip once the territory is given up by the Israelis.

The Central Council's statement made no mention of the PLO's original and long-term goal of setting up a secular democratic state in all of Palestine to comprise Moslems, Christians and Jews and to replace the state of Israel.

The PLO's new process could eventually lead to the Palestinians following a uniform policy with that of Egypt and Syria. This policy seeks a negotiated settlement with Israel within the Geneva Conference.

The resolutions in Damascus are intended, observers believe, to set the stage for forthcoming discussions by the Palestinian parliament in exile, as the National Council. The Damascus statement, which reported other resolutions, said an enlarged National Council should meet not later than next February.

$75m. loan boost for Indonesia

BY OUR OWN CORRESPONDENT

JAKARTA, Dec. 15.

INDONESIA AND ten banks from the U.S., Canada, Switzerland and Singapore to-day signed an agreement for a $75m. Asian dollar medium-term loan. The money is to be used to pay the foreign exchange component of the Cilicap refinery project in Central Java which has been prefinanced by Bank Indonesia—the country's central bank—at a cost of $129m.

The importance of the loan is that it marks a renewal of confidence among major Western banks in Indonesia's creditworthiness following the revelation of the massive debts accumulated by the national oil company Pertamina. The Government is expected shortly to seek a commercial bank borrowing of about $500m. Indonesia's outstanding contracted debts amount to about $12bn.

The banks managing the refinery loan—which is for seven years including a two-year grace period and at 1¾ per cent. above the Singapore interbank rate—are Citicorp, Bank of Montreal and Bankers Trust.

The refinery is already in operation and is designed to process 100,000 barrels of Middle East crude per day, producing kerosene, gasoline, diesel and other fuels, as well as lubricants and asphalt.

Another big syndicated loan is now being negotiated by Bank Indonesia with a Japanese group for the financing of the LNG plants in east Kalimantan and Achen. The international bankers do not seem to be affected at all by earlier reports of a possible technical cross default by Indonesia on account of non-payment of instalments for Pertamina tankers.

Economists urge Nyerere to abandon socialism

BY JOHN WORRALL

NAIROBI, Dec. 15.

TANZANIA'S President Julius Nyerere is reported to have been advised by a panel of local economists to drop socialism and return to private enterprise capitalism to remedy the country's severe 18-month-old economic crisis.

Selections from the economists' report, said to be classified, have been quoted by the Nairobi Standard newspaper. It is said to have been presented to the Tanzania Cabinet by "a senior minister," possibly the Finance Minister, Mr. Amir Jamal. Mr. Jamal, now in Nairobi, refused to comment on the report.

"What must be recognised is that at this stage of development Tanzania does not have the financial or managerial resources to socialise the entire economy," said the report. It went on: "There is no reason why the Government should restrict the activities of petty capitalism when it is working reasonably well, or use scarce Government resources to replace efficient small-scale private production."

There was an increasing tendency for the Government "to engage in activities which overlap its financial resources or organisational capacity." The Government is exhorted to "clarify the role of the private sector in the Tanzanian economy."

Clarification is urgently sought on such sectors that may in the foreseeable future be open to private investment, and how large private firms and farms can be allowed by the socialist regime to grow. The report, according to the Standard, says a Treasury study reveals that the cumulative losses of 24 parastatal bodies in Tanzania between 1969 and 1973 stood at £T8.9m., equal to 91 per cent. of their total share capital.

The report is published in Kenya at a time when relations between Tanzania and Kenya have seriously cooled, with attacks on Kenya capitalism by President Nyerere and fierce rebuttals by the Kenya Government which have still further eroded the chances of the East African Community surviving in its original form.

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Another black dies in police custody

JOHANNESBURG, Dec. 15.

A BLACK detainee to-day plunged seven floors to his death from security police offices in the south-eastern city of Port Elizabeth. His was the ninth death this year in police custody.

Police gave no further details but said a postmortem will be held to-morrow. Police cordoned off the building for two hours while ambulance workers took away the body.

Five days ago police said a young black engineering graduate hanged himself in his cell at Johannesburg's John Vorster Square prison. They said Wellington Tshazibane, an Oxford graduate employed by the giant mining corporation Anglo-America, was held for questioning after a colleague of his was detained for throwing an explosive device into a crowded white restaurant.

The Institute of Race Relations, which opposes the white regime's apartheid laws, has demanded a judicial inquiry into the deaths in police detention. The Institute's acting director Mr. J. G. Wolfson, said the inquiry was necessary to "set at rest the minds of concerned people the world over."

UPI

Anti-tax strike on West Bank

By Tom Ackerman

NABLUS, Dec. 15.

SHOPS, schools and public transport in most cities of the West Bank of the Jordan and in the Gaza Strip shut down to-day in a largely peaceful general strike to protest against extension of Israel's value added tax to the occupied territories.

Israeli authorities made no effort to break the strike, although "preventive" curfews were imposed for several hours on sections of Nablus and Ramallah. In East Jerusalem, shop-keepers failed to heed the strike call, amid implied warnings from police that they would be fined or have their establishments padlocked.

Manoeuvres by would-be successors to Miki

BY DOUGLAS RAMSEY

TOKYO, Dec. 15.

MR. TAKEO MIKI, will formally announce on Friday his plan to resign as Liberal Democratic Party (LDP) president and Japan's Prime Minister, according to Press reports to-day. The Prime Minister will not officially step down from either post, however, until his successor is chosen, and it is still not clear what he will propose in the way of party reforms which might affect the rules by which his successor as LDP leader is chosen.

Earlier this week, the party executive endorsed a plan by Secretary - General Tsuneo Uchida to call a caucus of the LDP's parliamentary group on December 23, at which its 126 members of the upper house and 260 members of the lower house will pick the party's candidate for Premier. At the same meeting, LDP officials agreed to shorten the tenure of the party's presidency from three to two years. That would entail a new vote on the party leadership at an LDP convention in January, which could mean that Mr. Miki will stay as party leader until then, even after a new candidate for the premiership is picked.

Meanwhile, the Government got opposition agreement yesterday to convene a special session of the Diet (parliament) on December 24, for a maximum of five days, during which the new Prime Minister and top Diet officials will be elected.

Between now and the vote in the Diet's lower house, the LDP and opposition parties will strive to pick their respective candidates with a minimum of blood-letting. Mr. Masashi Ishibashi, secretary-general of the Japan Socialist Party (JSP), is holding talks with key opposition members of the lower house in an attempt to forge a united front to support the JSP president, Mr. Tomomi Narita, for Prime Minister.

But in talks this week with Mr. Junyo Yano, his counterpart in the opposition Komeito (Clean Government Party), Mr. Ishibashi failed to get an endorsement for Mr. Narita, leading political commentators to predict that the opposition may split its vote between two or even three candidates.

The decision to hold the LDP parliamentary caucus on December 23 came in the midst of a bitter and increasingly vocal campaign by Miki supporters and members of other LDP factions to block the nomination of Mr. Takeo Fukuda, the front-runner for Mr. Miki's job, and a Deputy Prime Minister until he resigned from the cabinet just before the December 5 lower house elections, in which the LDP failed to win an outright majority in the 511-seat lower house, although 11 independents have since joined its ranks to give the party 260 seats.

WORLD TRADE NEWS

GEC wins order for S. Korea

Following the supply of GEC equipment for the first stage of a major South Korean electricity transmission system, GEC Switchgear has been awarded a supply contract valued at approximately £31m. for the provision of sub-station equipment for the second stage.

The contract covers equipment for seven complete transmission substations, involving a total of 88 circuit-breakers, together with power transformers, high-voltage isolators, line traps and signalling equipment, instrument transformers, lightning arresters, protection and control equipment.

Delivery of the equipment will commence during 1977, with overall commissioning scheduled for 1980. Manufacture will be carried out at the company's factories in Manchester and Stafford.

Aircraft for Germany

Short Brothers and Harland, the aircraft manufacturer of Belfast, has signed a £1¾m. order for one of its twin-engined SD3-30 Commuter airliners with the German airline, DLT of Frankfurt, with an option on a second aircraft. The deal brings the total number of firm orders for the SD3-30 so far to seven for three airlines, with options on three more aircraft.

Commission loan

The EEC Commission has granted Stahlwerke Roechling-Burbach of Voelklingen, Saar, a DM200m. loan to help finance long-term investment.

Sony video

The Sony Corporation of America is to add a second $4m. manufacturing facility at its new magnetic video tape factory now under construction in Dothan Alabama. The second plant will be to make plastic shells for Betamax videocassettes.

EIB loans

European Investment Bank (EIB) has announced two loans totalling 42m. units of account to help finance a telecommunications project in Ireland and small- and medium-size industrial ventures in Belgium.

Ecuador pipelines

The InterAmerican Development Bank has approved $36m. in financing for two pipeline projects in Ecuador.

The borrower is Ecuador's national petroleum agency corporacion Estatal Petrolera Ecuatoriana.

Beirut open

Beirut's crippled port, once the busiest in the Middle East, officially went back to work, but no ships came. Only one wharf of more than a dozen was back in business to receive shipping.

Siemens in Kuwait

Siemens has received a contract valued at DM52m. from Kuwait for planning, delivery and assembly of an electricity distribution system that will automatically guide electricity to where it is needed.

The system, which is scheduled to come into use at the end of 1979, will consist of four processing units with connections to 38 sub-stations. A later expansion to 120 sub-stations and seven power stations is planned.

Factory nationalised

The Government of St. Kitts-Nevis and the British Henckell Dubuisson company have reached agreement on the nationalisation of the island state's only sugar factory, writes Tony Cozier in Bridgetown. The Government will pay £1m. for the factory and ancillary equipment under the agreement. The take-over will be effected on January 1, ending 66 years of British ownership of the factory.

The factory has produced between 30,000 and 45,000 tons of sugar in each of the past 10 years. Its acquisition marks the complete nationalisation of the sugar industry by the Government which took over all private sugar lands last year.

Japanese shipyard tender is 60% lower than U.K. price

BY JOHN WYLES, SHIPPING CORRESPONDENT

A FAST expanding Irish shipping company claimed yesterday that a Japanese shipyard was quoting prices for six small container ships which were 60 per cent. lower than tenders offered by any British shipyard.

Mr. George Hollwey, chairman of Bell Lines, indicated in London yesterday that this enormous price differential meant that his company was likely to take up options on the six ships placed with the South Japanese Kagashima shipyard. This yard is already building four 2,213 deadwight ton ships to be used by Bell in its short sea container services between Britain, Ireland and the Continent.

Bell put out inquiries at British shipyards for the six vessels in early October and Mr. Hollwey said that the returns indicated that the price gap between British and Japanese yards had widened since the company had sought tenders for the first four ships at the beginning of the year.

However, he conceded that his company had won "a very good deal" out of the Japanese yard and that the average difference in price between the two countries for most classes of ship was probably in the region of 30 per cent.

An executive from one British yard, which tendered a price for the Bell ships, suggested yesterday that Kagashima had offered £1.3m. per vessel and that his company's price was around £1.9m. But, he said, this price could have been shaved if Bell had been prepared to release more details about the Japanese package.

Reviewing his company's overall performance, Mr. Hollwey predicted yesterday that by the end of the year Bell will have increased its cargoes by 14 per cent. on last year's total. Estimated door-to-door freight turnover will be up 27 per cent. from £15m. to £19m. Mr. Hollwey forecast a 10 per cent. increase in cargoes during 1977 which he said would come "out of the market" rather than from any general increase in trading volumes.

● In Luxembourg Mr. Finn Olav Gundelach, executive commissioner in charge of Common Market Foreign Relations, said the Common Market will take action if Japan does not curb its over-competition in shipbuilding. "I must make it very clear that neither the Commission nor the member States are prepared to stand idly by and watch a major Community industry being squeezed out of existence." Mr. Gundelach told a meeting of the European Parliament.

Japan, he added, has a special responsibility for upsetting the balance of international shipbuilding trade because it has expanded its production capacity more than any other country.

Sweden to extend stock subsidies

BY WILLIAM DULLFORCE

STOCKHOLM, Dec. 15.

The Swedish Government is extending its stock subsidies to industry through the first half of next year. The announcement to-day by the Labour Market Minister, Mr. Per Ahlmark, eases the pressure on Swedish companies, particularly the pulp mills, to run down their heavy surplus stocks of finished goods and to cut export prices.

The continued State stock subsidy will apply only to those companies which have already received grants. They will be able to get a subsidy equivalent to 8 per cent. of the value of their excess stocks on July 1 next year provided the excess is at least half of the excess stock carried at January 1.

Earlier grants have been equivalent to 20 per cent. of the value of the excess stocks built up over a 12-month period and 10 per cent. for a six-month period. All companies obtaining State subsidies have to undertake to maintain employment at the existing level.

By continuing the scheme launched by the previous Social-Democrat Government, the new non-Socialist Cabinet hopes to persuade companies not to cut production and lay-off workers, in order to reduce their inventories.

Mr. Ahlmark said, however, that the Government expected the export market position to improve gradually in the second half of 1977, so that there should be no need for a further building up of stocks.

Over the past two years some 500 Swedish companies have applied for stock grants estimated to have grown in value to some Kr.7bn. (£1bn.) above normal. The Government has disbursed Kr.1.2bn. in grants. Of the Kr.7bn. increase in stocks, about Kr.2bn. stems from the engineering companies, Kr1.5bn. from pulp mills, over Kr.1bn. from the saw mills and a similar amount from the steel and metal concerns.

The pulp mills, which hold stocks of over 1.5m. tonnes, equivalent to some four months' production, have been waging a war of nerves with their West European customers, who have been hoping that the mills would be compelled to reduce prices.

British ice cream for ME

BY ELINOR GOODMAN, CONSUMER AFFAIRS CORRESPONDENT

A BRITISH company is to start selling American ice cream to the Arabs. It will fly out ready made ice cream to the Middle East where it will then be sold by local franchise holders.

Dayvilles, a British company started by an American stockbroker which claims to sell "original American ice cream in 32 flavours," has already negotiated one franchise in Dubai and is talking to two other interested parties in the United Arab Emirates. Dayvilles ice cream parlours are also to be opened in Hong Kong, Holland and France.

The ice cream sold in all these countries will be exported from Britain and transported in frozen containers either by ship, rail or plane. Mr. Gabe Gutman, who founded the company with technical advice from the American company, Universal Flavourings, says that the only way to ensure a consistent quality for the ice cream is to make it in Britain and then ship it out.

Dayvilles opened its first test shop in London in December last year. By June over 20 shops had opened despite the emergence of the Baskin-Robbin chain in London which was also claiming to sell genuine American ice cream. Since then franchises have been signing contracts at a rate of five a month and there are now 46 Dayvilles branches in England and Ireland.

The shops are run by franchise holders who make an investment of between £13,000 and £15,000 and then buy their ice cream from Dayvilles.

Boost for machine tool sales

By Kenneth Gooding, Industrial Correspondent

THE first firm order for machine tools to be placed in the U.K. in connection with the major reconstruction of the Polish tractor industry seems to have gone to Kearney and Trecker Marwin of Brighton.

The order, worth more than £2m., should be followed by others worth about £100m. to U.K. machine tool companies as the Ursus tractor plant near Warsaw is rebuilt with the help of Massey Ferguson-Perkins.

KTM, now a subsidiary of Vickers since the Government relinquished its majority stake earlier this year, is to supply transfer machines for the production of cylinder heads fo[r] Perkins three-cylinder diese[l] engines. The engines and Masse[y] Ferguson tractor, will be mad[e] under licence at the Ursus plant.

The KTM equipment is due fo[r] delivery during the last quarte[r] of 1977 and the first quarter o[f] 1978. This seems to indicate tha[t] Poles might still be able to brin[g] the plant on stream early in 197[8] as they originally hoped.

The ordering programmes fo[r] U.K. equipment has certainl[y] been delayed because of th[e] economic problems in Polan[d] and that country's lack of har[d] currencies to pay for machiner[y] and plant.

But a number of letters of intent have been signed wit[h] British companies and the[y] could be firmed up into orde[rs] early next year.

So there is still very much th[e] possibility that the Polish orde[r] will clash with those from Britis[h] Leyland's car division, also expected to begin to flow earl[y] in 1977, and that the specialise[d] machine tool capacity both companies will be seeking will n[ot] be able to cope with both ordering programmes.

GKN exports disappointment

Guest Keen and Nettlefol[ds] marketing planning director M[r.] Basil Woods said yesterday th[at] the company was unlikely [to] achieve its target of exporting [...] per cent. of U.K. production [in] 1976.

Export growth was flat duri[ng] most of the year but there h[as] been some improvement recen[tly] and exports would still be [an] improvement on last year's [...] per cent. of U.K. output, he sa[id].

Mr. Woods said the compa[ny] missed its export target becau[se] the expected general econon[nic] upturn failed to arrive a[nd] because of delays between t[he] taking of orders and their reali[sa]tion.

A number of large exp[ort] orders were just coming throu[gh] and the company was relative[ly] optimistic about 1977 prospects.

Iraqi contract for Salzgitter

By Guy Hawtin

FRANKFURT, Dec. 15

IRAQ'S MINISTRY of Indus[try] and Mining has placed [a] DM250m. (£62.5m.) order [for] seven brick kilns with Salzgit[ter] Stahl, the trading subsidiary [of] the West German engineer[ing] and steel group.

Salzgitter will be working [on] the project in close co-operat[ion] with Hanover concern [...] Walter, a leading West Ger[man] brick-kiln design and const[ruc]tion specialist. Subcontractors [on] the contract include the Po[lish] foreign trade undertak[ing] Polimexa. The main diffic[ulty] that Salzgitter faces in fulfil[ling] the contract is on delivery. [The] equipment will have to be tr[ans]ported over land for 6,000 m[iles] through the Balkans and Tu[rkey] and then by sea to Basrah. [The] final kiln is due to come [into] service by autumn next ye[ar].

Nigerian 'phone link

Sumitomo Electric Indu[stries] Limited and Marubeni [have] obtained a Y78bn. order [from] the Nigerian Government [to] build telephone networks. [The] Japanese group will complete [the] networks by May, 1978 as [part] of Nigeria's Y300bn. five[-year] project to expand and mode[rnise] its telephone links.

Increase in Indo-Soviet cooperatio[n]

BY K. K. SHARMA

TWO RECENT developments illustrate the changing pattern of Indian trade with the Soviet Union and East Europe. India will supply electrolysers for aluminium plants to be set up in Yugoslavia and Bulgaria with Soviet assistance; and a Soviet delegation that visited India in September placed large orders for components for steel plants in the Middle East with India's public sector Heavy Engineering Corporation. The Corporation's plant was built by Russia more than a decade ago.

Both events reflect India's growing ability to make sophisticated engineering and electronic equipment of a kind that could not have been produced there 15 years ago.

India has joint commissions on trade with all the East European countries, of which the Indo-Soviet commission is the most important. Apart from bilateral trade, their principal object is to explore ways for industrial collaboration, joint marketing and joint ventures in third countries, particularly in the Middle East and Africa. "Production co-operation" is the method by which capabilities of India on the one hand and the Soviet Union and East European countries on the other are trying to dovetail their development plans.

It has just made a beginning and has, therefore, gone largely unnoticed, but the next few years should see a number of industrial projects in Africa and the Middle East sprouting as a result of Indian collaboration arrangements with East Europe. Apart from plants involving export of machinery and technology, the main area being explored is civil construction jobs on a turn-key basis.

The remarkable expansion of India's trade with the Soviet Union and Eastern Europe is clear from the fact that the total turnover has risen from a mere Rs.65m. (£5m.) in 1953-54 to Rs.3.380bn. in 1963-64, Rs.8.560bn. in 1973-74 and Rs.13.080bn. (£900m.) in 1974-75, although there was a slight decline in 1975-76 when difficulties arose in identifying goods for trade.

India's trade with East Europe and Russia is regulated by long-term trade and payments agreements which provide for settlement of commercial and non-commercial transactions in non-convertible Indian rupees. This requires balanced trade over a period and is achieved through annual and three-to-five-year trade plans in which precise quantities of goods are mentioned for shipment. In addition, Russia and East Europe have provided credit for import of capital goods which is repayable in non-convertible rupees. In the past these credits were mainly used for India's industrialisation programme, but they are not needed to any major extent any more.

With the growth of home production, Indian imports of conventional machinery from East Europe are being replaced by other items needed to-day—ships, oil prospecting equipment, special steels, petroleum products, and such items which demonstrate the extent of diversification that the trade has gone through (for the last couple of years, India's emergency needs of fertilisers and non-ferrous metals worth Rs.5,360m. in 1975-76 have also been imported from East Europe).

East European markets have doubled in the past decade for Indian textile machinery, garage equipment, chemicals and the like. In the past, the trade turnover was strictly bilateral. Increasingly—as shown in the long-term trade plan worked out with the Soviet Union and those now being negotiated with Romania and Poland—an integral part is for promoting joint ventures and "production co-operation" in third countries.

Next in importance are "switch deals" which involve the import from East European countries of raw materials for low-cost pro[ces]sing in Indian industries, [many] of which have been built [with] Russian help and now have [...] surplus capacities. In the ca[se of] Russia, the specific commod[ities] identified are mainly cons[umer] goods like cloth for which S[oviet] cotton is imported in bulk. [Being] also being examined are alu[minium,] electronics and agricultural [pro]ducts—signs that Indian k[now-] how and industrial capacity [are] now being used in the rev[erse] direction.

The fly in the ointment [as] far as Indo-Russian trade is [con]cerned is the still unse[ttled] squabble over the exchange [rate] between the rouble and [the] rupee. Three rounds of t[alks] over a period of more than [...] months have not resolved [the] issue which arose when Ru[ssia] started unilaterally deval[uing] the Indian rupee which [was] linked to sterling until Sep[tem]ber 1975. The Rupee-Ster[ling] link has now been broken [and] India and Russia are confi[dent] that a formula to fix the Rou[ble-] Rupee exchange rate will [soon] be found. For the rest al[l is] smooth sailing and it is evide[nt] of the closer relations betw[een] India and Russia that they h[ave] not allowed differences over [the] exchange rate to come in the [way] of increased economic co-op[era]tion.

هكذا من الاصل

MICHAEL BLANDEN SUMS UP THE BANK OF ENGLAND BULLETIN

£9.5bn. rise in national debt double record

EAVY Government borrowing ıd an increasing relative reli- ıce on short-term funds are ıown in the latest annual ıalysis of the national debt in ıe Bank of England Bulletin.

The analysis shows that on .arch 31 the nominal total of ıe sterling national debt was 54bn.

The increase of £9.5bn. over ıe financial year was almost ouble the previous largest rise ecorded since 1958, when the ries started. Over the last vo financial years the debt has one up by 37 per cent.

Heavy official sales of gilt- dged stocks were required, with 3 stocks issued during the year ı a total value of £7bn. Within ıe total there was an increase ı the total outstanding amounts short-dated stocks.

This had the effect of raising ıe average amount of stock ı be redeemed in each of the ext five years from £2.3bn. to .7bn. a year, compared with ı average of less than £1.5bn. ı the years from 1970 to 1974.

In spite of the large number stocks issued, moreover, the roportion of the total national ebt in the form of gilt-edged ocks fell from 69.1 per cent. to .8 per cent. during the year.

At the same time, the propor- on in the form of Treasury lls rose from 16.9 per cent. to .1 per cent.

The rise in Treasury bill issues is also reflected in an increase in the proportion of debt held in this form by the market (holders outside the official sector).

The market's share of the national debt rose in total from 71 to 75 per cent. during the year. Most of the increase—£5.3bn.—was in the form of gilt-edged stocks.

Holdings of bills also rose sharply, representing 12 per cent. of the debt held by the market this year compared with only 4 per cent. in March, 1971. Most of the increase came in the last two years.

CLASSIFICATION BY TYPE OF DEBT

£m. nominal

Marketable debt:	End-March 1975	%	Change	End-March 1976	%
Government and government-guaranteed stocks	30,725	69.1	+4,855	35,580	65.8
Treasury bills	7,522	16.9	+3,327	10,849	20.1
Non-marketable debt:					
National savings securities	4,014	9.0	+ 320	4,334	8.0
Certificates of tax deposit			+ 13	13	
Ways and means advances	977	2.2	+ 168	1,145	2.1
Interest-free notes due to the International Monetary Fund	1,129	2.5	+ 930	2,059	3.8
Other	128	0.3	− 67	61	0.2
Total debt	44,495	100.0	+9,546	54,041	100.0

Need to restrain monetary expansion emphasised

DOMESTIC credit expansion, the main monetary indicator watched by the International Monetary Fund, jumped sharply in the third quarter to a figure of nearly £3bn.

The rise, already indicated by the published money supply figures, provides the reasons for the drastic actions taken to bring money supply under control. These have included sharp increases in interest rates and the application of the "corset" controls over the growth of the banks.

Following the £2.6bn. jump which had already taken place in the previous quarter, the third quarter domestic credit expansion was well above the levels required to meet the targets which the Government had then adopted. Besides the 12 per cent. target for the increase of money supply on the wider definition (M3) in the current financial year, the Government had already indicated to the IMF a year ago that domestic credit expansion was expected to be about £9bn.

The Bank stresses in its assessment the importance of keeping the pace of monetary expansion under close restraint. "This will be easier if the public sector borrowing requirement can be seen to be falling in money terms as well as in proportion to gross domestic product."

Two main reasons emerge for the excessive growth in the third quarter: the fall-off in the sales of gilt-edged stock to finance the Government deficit, and higher bank lending to the private sector.

The pause in gilt-edged sales during the summer was reflected in net sales of only £590m. of stock in the third quarter, though the Bank points out that since then large sales have been made. Some of the long-dated tap stock was sold on August 17—the first sale of a tap stock for six weeks—and there were no further sales until the latter part of September.

In the third quarter, the central Government's borrowing requirement, at £1.8bn., was smaller than in recent quarters and rather less than had been predicted earlier in the year. However, little more than a third was financed by domestic investors other than banks, taking it outside the figure for domestic credit expansion. Consequently, finance from other sources contributed over £1.1bn. to domestic credit expansion, compared with around £700m. and £900m. in the two previous quarters.

Bank lending to the private sector has also increased more rapidly this year, from a rise of only £100m. in the first quarter to £900m. in the second and over £1.1bn. in the third. After the further rise in October, the Bank points out that bank lending to the private sector in sterling had increased by over £2.2bn. in the six months to mid-October, with the broader version of the money stock going up by nearly 9 per cent. in the same period.

Commenting on the further sharp fall in the value of sterling over the four-month period to the end of October, the Bank remarks: "During this period, the need to conserve the official reserves became an increasingly important constraint on the amount of official intervention."

Initially, the Bank says, the market appeared to regard a rate of $1.77 as appropriate, and only occasional official support was needed to prevent undue fluctuations in the rate.

But towards the end of August, market sentiment began to turn against the pound, and in several periods of pressure it reached a low point of $1.5550 on October 28.

By the end of November, the Bank reports, the effective depreciation of sterling against other currencies weighted together was 11 per cent. from end-June and 22 per cent. compared with the beginning of the year.

Support at the $1.77 level had to be withdrawn early in September, the Bulletin records. After that, "official intervention in the spot exchange market was smaller than it had been earlier in the year, being designed largely to test the weight of market pressure or to smooth the impact of large orders."

However, the authorities also intervened periodically in the sterling swap market "in order to increase the cost of borrowing Euro-sterling, thereby providing some support to the pound at little cost to the reserves."

INFLUENCES ON THE MONEY STOCK (M_3)

A higher rates of domestic credit expansion led to a faster rise in M_3 in the third quarter.

(£m. seasonally adjusted)

	1975 3rd qtr.	1975 4th qtr.	1976 1st qtr.	1976 2nd qtr.	1976 3rd qtr.
Central government borrowing requirement	+2,405	+1,915	+2,135	+1,985	+1,790
Purchases (−) of central government debt by non-bank private sector	−1,230	−1,895	−1,420	−1,105	− 665
Other public sector borrowing requirement	+ 145	+ 765	+ 285	+ 795	+ 640
Purchases (−) of other public sector debt by non-bank private sector	+ 140	− 90	− 40	− 235	− 115
Lending to private sector:					
In sterling	− 480	− 60	+ 130	+ 950	+ 920
In foreign currencies	+ 315	+ 15	− 25	− 40	+ 220
DCE*	+1,195	+ 525	+1,365	+2,585	+2,955
External items	+ 215	− 245	− 285	− 835	− 560
Other	+ 25	− 215	− 45	+ 35	− 110
Money stock (M_3)	+1,535	+ 190	+ 735	+1,550	+2,120

* DCE is the sum of the items above this line, with two adjustments: the exclusion of bank lending to the U.K. private sector in foreign currencies for investment overseas, and the inclusion of bank lending to overseas residents in sterling.

ESTIMATED DEPLOYMENT OF OIL EXPORTERS' SURPLUSES

In spite of the rise in oil revenues, the total surplus in the third quarter was smaller than in the second.

($BN.)

	1974 Year	1975 Year	1976 1st half	1976 1st qtr.	1976 2nd qtr.	1976 3rd qtr.*
United Kingdom						
British Government Stocks	0.9	0.4	0.1	0.1		
Treasury bills	2.7	−0.9	−0.8	−0.1	−0.7	−0.4
Sterling deposits	1.7	0.2	−0.9	−0.4	−0.5	−0.3
Other Sterling investments†	0.7	0.3	0.2	0.1	0.1	0.1
Foreign currency deposits	13.8	4.1	2.2	−0.1	2.3	1.8
Other foreign currency borrowing	1.2	0.2	0.6	—	0.6	0.2
	21.0	4.3	1.4	−0.4	1.8	1.4
United States						
Treasury bonds and notes	0.2	2.0	2.4	0.9	1.5	0.8
Treasury bills	5.3	0.5	0.4	0.1	0.3	−0.1
Bank deposits	4.0	0.6	0.9	0.6	0.3	0.2
Other†	2.1	6.9	3.4	1.2	2.2	1.7
	11.6	10.0	7.1	2.8	4.3	2.6
Other countries						
Bank deposits	9.0	5.0	1.5	1.0	0.5	2.0
Special bilateral facilities and other investments†‡	11.9	12.4	5.6	3.5	2.1	2.2
	20.9	17.4	7.1	4.5	2.6	4.2
International organisations	3.5	4.0	1.8	1.6	0.2	0.1
Total	57.0	35.7	17.4	8.5	8.9	8.3

* Provisional.
† Includes holdings of equities and property, etc.
‡ Includes loans to developing countries.

Oil revenues increase

THE OIL exporting countries ran their sterling holdings down further in the third quarter of the year. But the fall was slower than in the previous quarter and there was a continued inflow of foreign currency deposits into the U.K.

The latest analysis by the Bank of England shows that total oil revenues of the exporting countries are estimated to have risen by $1.4bn. to $29bn. in the third quarter.

This was a much sharper rise than in the previous quarter, reflecting an increase in both the volume and average price of oil exports.

Nevertheless, the oil-exporters' cash surplus fell by about $500m., suggesting that there may have been a further rise in imports. About half the surplus went into financial reserves.

Out of the total of $8.3bn. available, the Bank estimates that $1.4bn. came to the U.K.

Sterling investments in the U.K. dropped by another $600m., after a fall of $1.1bn. in the previous quarter. But foreign currency deposits with U.K. banks rose by about $2bn., much the same as in the previous period.

The amount invested in the U.S., at $2.6bn., was apparently much less than the $4.3bn. in the previous quarter. Deposits with banks outside the U.K. and the U.S. are estimated to have been much larger, particularly in some off shore centres.

Labour costs lead inflation

IMPORT COSTS made a substantial contribution to price inflation in the U.K. between 1972 and 1974, but labour costs were the largest element in 1974 and 1975, it is shown in the latest Bank of England Bulletin.

A special analysis of the factors contributing to inflation shows that between 1973 and 1974 import prices for both goods and services rose by 44 per cent. in sterling terms, and there was effectively no replacement of imports by cheaper domestic goods until last year.

Indeed, import penetration rose faster than usual, and in 1974 was about 20 per cent. of total final expenditure.

The rise in import prices in that year, as a result, added about 9 per cent. to the general inflation in the U.K.

The pressure arose from a rise in commodity prices "unprecedented in U.K. post-war experience" including both the jump in oil prices and a general increase in commodities reflecting high demand.

In 1974, however, labour costs took over from imported inflation as the biggest cause of the rise in domestic prices. Labour costs represent about a half of total costs.

And in both 1974 and last year they directly accounted for more than half the general rise in prices, which reached a peak in the latter year of 24.1 per cent.

Average earnings in 1974 were about 18 per cent. higher than in the previous year, and last year they increased by a further 7 per cent.

In contrast, until that year profits, rent and earnings of the self-employed contributed little to the general rise in prices, but have since accounted for more.

The Bank points out that much of the increase in average earnings must have been a reaction to the earlier sharp rises in import prices.

In 1974-75 the earnings of perhaps two thirds of employees were automatically, if partially, linked to the retail price index through the mechanism of threshold payments under the incomes policy then in force.

"Nevertheless, wage settlements during that wage round were much larger than required to maintain real earnings or to anticipate the continuation of prevailing price increases. They were thus apparently in part an independent source of inflation."

From early last year, however, the impact of high wage settlements on costs was partly offset by slower growth in average earnings associated with the recession. Earnings have continued to rise more slowly, even this year when import costs have risen sharply.

Examining the effects on disposable income, the Bank points out that income tax and national insurance contributions have risen more than proportionately to personal income, from 19 per cent. of the total in 1971-73 to 24 per cent. in the first half of this year.

Even taking account of the falling value of money there was an unusually large increase of about 7 per cent. a year in real personal disposable income between 1971 and 1973.

The combination of pay restraint and rapid inflation, with a non-indexed and progressive tax system, also affect the distribution of personal incomes.

FACTORS CONTRIBUTING TO THE GENERAL RISE IN U.K. PRICES

Percentage increases on previous year

	General prices	of which, attributable to: Labour costs	Other factor incomes	Net taxes on expenditure	Import costs
1970	7.3	4.3	0.7	0.7	1.6
1971	8.0	3.5	3.3	0.2	1.0
1972	6.7	3.7	1.6	−0.1	1.5
1973	10.4	3.6	1.8	−0.1	5.1
1974	19.5	10.0	0.9	−0.3	8.9
1975	24.1	16.0	4.2	1.9	2.0
1976 1st half (annual rate)	16.1	6.3	3.7	1.7	4.4
Shares of total final expenditure in 1975 (per cent)		51.8	19.0	7.7	21.5

Sources: Derived from National Income and Expenditure 1965-1975, Economic Trends, October 1976, and Monthly Digest of Statistics, October 1976.

To-day's Events

GENERAL

Special meeting of TUC Economic Committee considers Government's economic measures.

EEC Finance and Transport Ministers meet, Brussels.

European Coal and Steel Committee discusses plan for voluntary restriction of steel sales within EEC.

EEC Economic and Social Committee Plenaries end, Brussels.

European Parliament meets, Luxembourg.

City Corporation lunch in honour of Mr. Piotr. Jaroszewicz, Polish Prime Minister, Mansion House, E.C.4.

Police Federation lobby MPs on pay claim.

Financial Times two-day conference, Inflation Accounting—the Proposed Standard, ends, Royal Lancaster Hotel, W.2.

PARLIAMENTARY BUSINESS

House of Commons: End of four-day second reading debate on Scotland and Wales Bill.

House of Lords: Fishery Limits Bill, second reading.

COMPANY RESULTS

Associated Engineering (full-year). Burton Group (full year). Charterhouse Group (full year). Distillers (half-year). Guthrie Corporation (half-year). MEPC (full year). Northern Foods (full year). Unigate (half-year).

COMPANY MEETINGS

Arenson (A.), St. Albans, 12.30. Anglo Scottish Investment Trust, 2 St. Mary Axe, E.C., 12.15. Benfield and Loxley, Oxford, 11.30. Berner (Leon), Birmingham, 12. British Assets Trust, Edinburgh, 12. British Empire Securities and General Trust, Saddlers' Hall, E.C., 12. Jenks (A. E.) and Cattell, Wolverhampton, 12.15. Kwik Save Discount, Prestatyn, 12. London and Montrose Investment Trust, Bucklersbury House, E.C., 3.15. London Shop Property Trust, Winchester House, E.C., 2.30. McKechnie, Birmingham, 12. Newman Granger, Nottingham, 12.

LABOUR NEWS

TUC plea for local power likely to be rejected

BY JOHN ELLIOTT, MANAGEMENT EDITOR

TUC DEMANDS for trade union representatives to be given seats with voting rights on local councils are likely to be rejected by the Government next year although experiments with non-voting seats will be approved.

This is emerging from talks now taking place among local government employers and unions, with the local council associations playing a leading role in opposing any legislation which would give trade union representatives an automatic right to any type of direct representation on either local councils or their committees.

At the same time, however, some councils are going ahead with their own experiments, the latest being the Greater London Council which has decided to pre-empt any legislation by issuing a standing invitation to its trade unions to occupy up to a third of its committee seats, but without voting rights.

Voting Rights

A study of how to extend industrial democracy in local government without upsetting the existing electoral principle forms part of one of the internal Whitehall inquiries on industrial democracy in the public sector. These have been proceeding alongside the Bullock Committee of inquiry on the private sector, whose report is now being studied by Ministers. It is intended that the result of these Whitehall inquiries should be included in the White Paper on the Bullock proposals which Ministers are at present planning to produce next summer.

The most concentrated opposition so far against any widespread worker director type of system being adopted in local councils has come from three associations representing district, metropolitan, and county councils.

Together they have agreed that "although one or two authorities have developed, or are developing, proposals for having employee representatives present at meetings of committees in a non-voting capacity, this was felt to be unacceptable by a majority of the associations."

Following a meeting today of the Association of Metropolitan Associations, the Government and the TUC will be told: "Because local authorities are democratically elected bodies they are different from private industry, and therefore employee participation in local government service must be on a different basis from that which may be possible in the private sector.

"The basic principle of democratic election means that, in the view of the associations, there could be no question of employees serving as members of the full councils or any committees of local authorities."

But the report containing this statement goes on to point out that it is up to each individual council to decide how to expand its joint staff consultation systems to include a wider area of council activities.

"Such meetings would be separate from the meetings of the council and its committees and from normal negotiating machinery and would not therefore involve the representation of employees in formal decision-making process"

It underlines that this means that "direct participation of staff as members of councils or committees is ruled out," but goes on to acknowledge that each individual authority has a right "to change its practice and have such employee representation at meetings of committees if it wants to."

But the Government will come under increasing pressure not to introduce any legislation that would force councils to accept employee representatives, on the Bullock private sector pattern.

The TUC will now, however, continue to urge that there should be legislation giving councils and committee seats, maybe without voting rights, to employee representatives on more than departmental basis. The Government might well feel, however, that to do this in local Government would make it hard to resist a similar incursion into the Parliamentary principle in central Government and might decide to resist any advance on either front.

At the same time, a growing number of councils are accepting that their employees, apart from chief officers, should be allowed to stand in the normal way in local council elections and this idea has now been backed by the Metropolitan Association.

Role in council finance forums urged

BY OUR LABOUR CORRESPONDENT

TRADE UNIONS should be represented on a proposed new forum to plan local government finance, says the TUC in comments on the report of the Layfield Committee of inquiry into local government finance.

In a note commenting on the report, the TUC argues that its representation on the forum suggested by the committee would assist progress in resolving different problems of conflicting interest.

The TUC also maintains that the time is not right for the introduction of a local income tax, but believes it could be a feasible alternative to continuing reliance on Exchequer finance.

These views were endorsed yesterday by the TUC general council which also confirmed Lord Allen, general secretary of the Union of Shop Distributive and Allied Workers, and Mr. Jack Jones, general secretary of the Transport and General Workers Union, as the TUC representatives on the new working party of the TUC-Labour Party liaison committee to consider the feasibility of a wealth tax.

Leyland Cars almost back to normal to-day

BY OUR LABOUR STAFF

LEYLAND CARS will be back almost to normal to-day for the first time in several weeks with the recall of 3,000 workers on the Mini lines at Longbridge, Birmingham.

They have been laid off for the past week by a strike of 60 electricians at Rubery Owen's component factory at Darlaston, which makes front sub-frames.

While the electricians are staying out over their demand for payment during a previous strike, enough production has been possible to support a return at Longbridge.

The electricians' shop stewards yesterday discussed the dispute with Mr. Jack Ashfield, Electrical and Plumbing Trades Union, executive councillor for the Midlands, without positive result.

While the electricians still refuse to quit the plant, they have promised not to commit any action that could endanger life or limb or damage equipment. Earlier in the week there had been accusations of three welding machines having been electrically sabotaged.

With Leyland car production struggling back to normal after estimated losses of about £12m. at retail prices through internal and external disputes, the only unresolved dispute is at the Sherpa van factory, Birmingham.

Some 180 press operators said by management to have failed to achieve normal work levels were paid accordingly, and are on strike, supported by 1,000 other workers. About 220 are laid off.

MINERS' BALLOT ON EARLY RETIREMENT

Area	Total vote	Voting YES	Voting NO
Yorkshire	48,483	43,228 (89 %)	5,255 (11 %)
Nottinghamshire	25,875	19,593 (76 %)	6,282 (24 %)
South Wales	22,662	20,885 (92 %)	1,777 (8 %)
Officials and Staff	14,599	6,940 (47½%)	7,659 (52½%)
Scottish	13,873	12,750 (92 %)	1,123 (8 %)
Durham	13,763	10,988 (80 %)	2,775 (20 %)
Midlands	11,453	8,373 (73 %)	3,080 (27 %)
Derbyshire	9,471	7,641 (80½%)	1,830 (19½%)
North West	7,155	5,174 (27½%)	1,981 (27½%)
Northumberland	6,576	4,994 (76 %)	1,582 (24 %)
Durham Mechanics	5,248	2,240 (42½%)	3,008 (57½%)
Cokemen	4,157	2,871 (69 %)	1,286 (31 %)
Scottish Enginemen	4,126	3,314 (80½%)	812 (19½%)
Power Group	4,052	1,881 (46½%)	2,171 (53½%)
South Derbyshire	2,534	1,604 (63 %)	930 (37 %)
Leicestershire	2,514	1,289 (51 %)	1,225 (49 %)
Kent	2,209	1,936 (88 %)	273 (12 %)
Northumberland Mechanics	1,808	971 (53½%)	837 (46½%)
Power Group No. 2	1,204	769 (64 %)	435 (36 %)
North Wales	848	366 (43 %)	482 (57 %)
Cumberland	793	665 (84 %)	128 (16 %)
Durham Enginemen	731	293 (40 %)	438 (60 %)
	204,134	158,765 (78 %)	45,369 (22 %)

Postmen may renew blacking of laboratories

By Our Labour Staff

THE UNION of Post Office Workers moved a step closer yesterday to reimposing its blacking of the Grunwick film-processing laboratories in London when the union's national executive accused the company of reneging on its previous promises concerning union recognition for its employees.

The UPW said that when it lifted its blacking of the company's postal service last month it was assured that the company would cooperate with the Section Eleven recognition inquiry being carried out by the Advisory Conciliation and Arbitration Service, begun after some 140 Grunwick employees, mainly East African Asians, struck in August to back ten colleagues claimed to be dismissed for attempting union organisation in the Association of Professional, Executive Clerical and Computer Staff.

But the UPW said that the company "was seeking by every means to frustrate the work of ACAS" and the union's general secretary, Mr. Tom Jackson, would decide if the ban should be reimposed.

Babcock men cut overtime

HOURLY-PAID workers at the Babcock and Wilcox boiler factory at Renfrew yesterday voted to ban "excessive" overtime because of the company's decision to pay off 1,200 of the 5,000 work-force next April.

However the men, members of the AUEW, decided not to oppose the redundancies in principle. The company says the redundancies are caused by the national shortage of power station contracts.

The Chancellor's Speech

Our aim—economic recovery and return to full employment

DEARER DRINKS and cigarettes and cuts in housing, education and defence spending were announced by Mr. Denis Healey in his economic statement to a packed Commons yesterday, the Chancellor's fourth "budget" of the year.

Mr. Healey spoke of the price Britain was having to pay for International Monetary Fund aid, but told MPs: "At the end of it all, we shall at least be standing on our own feet."

He said: "I shall make a statement about the further measures which the Government are taking to promote the nation's economic recovery and to achieve the fastest possible return to a high and sustainable level of employment.

"In order to avoid excessive strains next year, when the economy will still be operating well below capacity, the measures will cover the next two years.

"They will form part of a medium-term programme for national recovery to ensure that the 1980s offer us the prospect of an economy fully restored to balance, with high levels of output, employment and real wages and an industry which is vigorous, expanding and profitable

"Further elements in this programme for national recovery will be contained in my next Budget and in the next phase of the industrial strategy.

Reduce

"The latest forecast prepared before the measures showed a Public Sector Borrowing Requirement of £10½bn. in 1977-78 and £11½bn. in 1978-79. These forecasts embodied unrealistically favourable assumptions on several important points.

"Even so the PSBR figures were unacceptably high and the immediate objective of the measures which I am announcing this afternoon is to reduce the public sector borrowing requirement to about £8.7bn. in 1977-78 and to somewhat less in the following year — on present forecasts I expect a figure of some £8.6bn.

"So the reduction in the PSBR would be nearly £2bn. in 1977-78 and nearly £3bn. in 1978-79.

"Expressed as a percentage of GDP the PSBR will fall steadily from 9 per cent. in the current year to about 6 per cent. in 1977-78 and rather over 5 per cent. in 1978-79. These objectives are calculated on the basis of the economic prospect as I now see it.

"To achieve these objectives, the Government are proposing adjustments to current plans amounting to £1bn. in 1977-78 and £2bn. in 1978-79.

"I am therefore announcing specific measures this afternoon which amount to some £1½bn. in each year.

"In addition, the Government will make a further fiscal adjustment of about £½bn. in 1978-79. It is too soon to say what form this further adjustment will take.

Growing

"It is of course impossible to forecast with any confidence at the present time what will be the condition of the economy in 1978-79. The extent to which further fiscal adjustment might be needed cannot be decided at this stage.

"If the forecasts at the time show the economy growing from the beginning of 1978 to the end of 1979 at a rate of more than 3½ per cent. a year, the Government intend to make a further fiscal adjustment in the 1978 Budget—of between £½bn. and £1bn. depending on the buoyancy of demand and the state of the world economy at that time—to ensure that with those higher growth rates domestic conditions do not prevent us from giving the necessary priority to exports and investment.

The fiscal adjustment in both years will come mainly from savings in public expenditure rather than increacs in taxation.

"This is for two reasons. First, although the level of our public expenditure, as a proportion of GDP, is no higher than in some other industrialised countries, it has grown much more rapidly in recent years than our industrial output, and our industrial output itself is relatively low.

"Second, and perhaps this is not unconnected with our low level of industrial output, people at work are already highly taxed on their incomes, and face a further drop in their living standards in the coming year.

"I do not believe it would be right to burden them with the lion's share of the fiscal adjustment which is now necessary; and inadequate financial incentives to work and to invest could put our economic recovery at risk.

Consensus

"Savings in public expenditure must therefore produce by far the greater part of the adjustment needed. On the other hand, the savings needed are on nothing like the draconian scale suggested by some outside commentators.

"I think that there has been a growing consensus among responsible economists that savage and indiscriminate cuts of up to £5bn. would do irreparable damage both to the structure of our social services and to the prospects for employment. They would imply a massive and immediate contraction of demand, which is the last thing British industry wants to see at present.

"The White Paper which we published in February this year set our medium-term strategy for public expenditure.

"In accordance with this strategy, we are holding expenditure in this financial year within the planned level by the rigorous application of cash limits, by new arrangements for regular consultation with the local authorities, and by refusing to accept new commitments which would breach the contingency reserve.

"In carrying out the 1976 public expenditure survey we have already made certain adjustments so as to keep within the February White Paper plan for each year, as modified by the measures I announced in July.

"In order to achieve the new PSBR targets to which I have referred, we have now decided to reduce public expenditure programmes further by £1bn. in 1977-78 and £1½bn. in 1978-79 at 1976 survey prices.

"The details are being circulated in the Official Report and are available in the Vote Office, but I will now describe the main further changes which are being made to the programmes as they emerged from the survey."

Benefits

"Once again we have avoided mechanical cuts across the board and have not reduced the main social security benefits, although we are concerned about the narrowing gap between them and the income of those in work. The cuts will therefore fall elsewhere.

"So far as the Civil Service is concerned, we intend in addition to the economies already announced, to obtain further economies of some £30m. next year and £10m. in 1978-79.

"Local Authority current expenditure is now more strictly influenced by the central Government through the recent reduction of the main Rate Support Grant for England and Wales from 65½ per cent. to 61 per cent. in 1977-78 and the correspondence reduction for Scotland. We are not re-opening those settlements.

"But there will be a reduction in housing capital programmes. Without these adjustments there would have been a substantial overspend on housing. The reduction now decided will offset most of the likely excess next year and will contribute a saving of £300m. in the following year.

"New construction will be suspended or curtailed in several other central and local government programmes, including roads, other environmental services, school building, Government accommodation, and capital spending by the Water Authorities. This will save about £270m. next year and over £300m. in 1978-79.

Subsidies

"Borrowing approvals will be reduced to achieve a slower build-up of land acquisitions under the Community Land Act, producing savings of £35m. in each year. Although the total amount to spend will still rise substantially.

The planned programme for phasing out the Government's food subsidies will be accelerated and will be completed in 1977/1978, saving £160m. in that year and about £60m. in the following year. This will add less than 0.25 per cent. to the Retail Price Index over 1977/78.

"Besides reductions in school building, to which I have already referred and which will not affect basic needs, the programme for current expenditure will be reduced by economies in the administration of school meals, by deferring the operation of Section 9 of the Education Act 1976 dealing with school milk, and by other minor savings, making a total of £20m. in 1977/1978 and £30m. in 1978/79.

"Under the new treatment of the nationalised industries on which we have consulted the Expenditure Committee, we shall in future be including in public expenditure only Government finance for these industries, rather than their investment programmes as such.

"We intend to agree with the nationalised industries action which will reduce the level of Government financing by £110m. and £130m. in the next two years.

"As well as economies in spending there will be increases in revenue, notably a gas price increase which the Government are asking the British Gas Corporation to effect from April, 1977.

"As I told the House in July, the Government want to move progressively towards a more selective approach to assistance for industry. It is doubtful whether Regional Employment Premium now fulfils the original purpose of attracting employment to the regions.

"We therefore believe that it should now give way to more selective measures and it will be withdrawn by Statutory Order early in the New Year, saving £150m. next year and £170m. in the year after.

"I shall be describing in a moment other measures in the industrial field designed to assist employment and investment.

"In an exercise of this magnitude, spending in support of our external policies must inevitably play its part. Despite the big cuts which we have already made in defence expenditure, we cannot achieve the necessary reductions in public expenditure and the PSBR without a contribution from the Defence Budget.

"We are looking to defence for further savings of £100m. in 1977-78 and £200m. in 1978-79.

"There will be reductions in the provision for overseas aid which, until now, has been almost entirely protected from expenditure savings. The Government have taken this decision with great reluctance. The savings will be £50m. in Survey prices in each year.

Exports

"The refinancing by the Government of fixed rate credit for exports and shipbuilding imposes a major charge on public expenditure and the PSBR which threatens to exceed previous forecasts. Partly to deal with this, I have asked the clearing banks to finance from their own resources an additional £100m. of fixed rate sterling business in each of the next two years and I am glad to say that they have agreed to do so.

"We believe that by funding medium and long term export credit in foreign currency instead of in sterling we can reduce the burden which export credit imposes on public expenditure, the PSBR and the balance of payments.

"We are therefore taking steps to encourage the use of foreign currency financing and to control the rate at which new offers of fixed rate sterling finance will be approved by ECGD.

"All these measures will reduce expenditure on refinancing and together produce a net saving of £100m. in 1977-78 and £200m. in 1978-79, below that shown in Cmnd. 6393.

"We are aware of the concern of industry about the future of the cost escalation scheme which, as matters stand, is due to end in March 1977. We now propose that it should be continued for a further year. The necessary draft Order will be laid before the House in due course.

"Revised expenditure programmes for 1977-78 and 1978-79, taking account of these measures and of other adjustments made during the public expenditure Survey, will be set out in the public expenditure White Paper in due course.

"These decisions will reduce planned expenditure by a little over £1bn. and £1½bn. in the next two financial years. Both figures are at 1976 Survey prices. In current prices they will be much larger.

"On the other hand, we have decided to add to expenditure in two areas which we believe should have the highest priority—incentives to promote industrial investment and expansion, and measures to reduce unemployment.

"There will be an increase in the resources of the National Enterprise Board and the Scottish and Welsh Development Agencies. A new selective investment scheme will be introduced to follow up the very successful Accelerated Projects Scheme.

"It will give help to manufacturing companies for major projects designed to improve capacity and performance. I will allocate £100m. to this scheme in the first instance.

"The money will be spent over a period of years; the rate at which it is spent will depend on how many good projects come forward for support. Further money will also be made available for additional sectoral schemes in support of the industrial strategy and for other measures to help industry.

"Taken together, I have allocated £80m. in each of the next two years for these measures to help industry.

Subsidy

"There will be an increase of £120m. in 1977-78 in spending on measures to reduce unemployment. New applications for the Temporary Employment Subsidy are to close at the end of this month and for the Job Creation Programme shortly after.

"We have decided to extend these two schemes to the end of April, and then to review their future along with the other new schemes which the Government has recently introduced. This additional expenditure will more than offset the impact on unemployment next year of the other measures which I have announced and will mean that the net effect of the whole package will be to reduce unemployment during 1977.

"To finance this additional expenditure on investment and employment I must look for some contribution from the specific Revenue duties, which are fixed in money terms and are therefore continually eroded by inflation.

"I have decided to use my regulator powers to increase by 10 per cent. all the revenue duties charged on tobacco and alcoholic drinks. The increases will come into force for the customs duties on imported tobacco at midnight to-night, and for the duties on tobacco products and drinks on January 1. They will have no effect on prices during the Christmas and New Year holidays.

Charge

"If fully passed on, these duty increases, taking into account the consequential increase in VAT, will add rather over 0.5 per cent. to the Retail Price Index.

"They will raise the tax charge on a pint of beer of average strength by a little under 1p, and on a standard bottle of spirits by about 31p.

"They will increase the charge on a standard bottle of table wine by about 5p, and on a bottle of fortified wine such as sherry by about 7p.

"The tax on a packet of 20 filter cigarettes of average size will be increased by about 4p.

"The additional revenue raised will be £50m. in the remainder of this financial year and £280m. in 1977-78.

"I believe the British pe[...] will accept that these incre[...] in the cost of less essential g[...] are fully justified at this ti[...] particularly when the proc[...] are intended to create more [...] and more investment.

"There is one further [...] which we propose to take [...] reduce the public sector borr[...]ing requirement in 1977-78. [...] years ago the Governm[...] rescued the Burmah Oil C[...]pany from severe financial [...]culties, and as part of a pac[...] of support the Bank of Eng[...] bought Burmah's holding [...] shares in the British Petrol[...] Company.

Aware

"We now propose that [...] Bank should sell enough of [...]mah's former shareholding [...] to leave the total of the Go[...]ment's and the Bank's hol[...] at 51 per cent. as against t[...] per cent. held by the Go[...]ment before the acquisiti[...] the ex-Burmah BP shares.

"As the House will be a[...] these shares are currentl[...] subject to a legal clai[...] Burmah against the Bank of [...]land.

"We are advised in the [...] terms that this claim is w[...] merit but so long as it is [...] pursued it may prove an i[...]ment to a successful sale.

"If this impediment i[...] removed, the Government [...] sell an appropriate numb[...] their own BP shares and [...] course will make good [...] holding by securing the t[...] to the Treasury of an equ[...] amount of the BP stock a[...] from the Burmah Oil Co[...]

Continued o[n] page 9

Freddie Mansfield

Mr. Denis Healey leaving No. 11, Downing Street.

Howe condemns Healey 'three wasted years'

BY JOHN HUNT

SIR GEOFFREY HOWE, the Conservative Shadow Chancellor, condemned Mr. Healey's "three wasted years" at the Treasury and told him: "To-day's bitter dose of medicine is a direct result of your reckless and incompetent mismanagement of the economy."

But Sir Geoffrey made it quite clear that the Opposition saw the package as the belated recognition by the Government of the need for substantial cuts in expenditure. In fact, he claimed, they were in line with the policies which the Tories had been pressing on the Government for the past two years.

The most bitter criticisms of the measures came from the Government's own backbenchers. Mr. Eric Heffer (Liverpool Walton), a leading Left-winger, gave a broad hint that the Chancellor should now consider resigning.

Further stringent criticism came from another Tribunite, Mr. Dennis Skinner (Lab. Bolsover) and from Mr. Alex Lyon (York), a Labour moderate who lost his job as Minister of State at the Home Office when Mr. Callaghan took over as Prime Minister.

Opening the questioning, Sir Geoffrey Howe caustically observed that the House was becoming used to statements of this kind from Mr. Healey and he hoped that on this occasion the Government had finally got matters right.

Stagnant

He described it as an IMF Budget and said that it seemed that Labour Governments could only be prevented from steering the economy towards disaster when they were under strict surveillance by the Fund.

However, he welcomed the Government's apparent conversion to the views which the Conservatives had been putting forward for the past two and-a-half years about the importance of money supply and the need to achieve big reductions in public expenditure.

He recalled that in the February White Paper the Chancellor had envisaged cuts of £1bn. in 1977-78 and in July he proposed further reductions of £1b[n.] that year plus an additio[nal] revenue of £1bn.

In yesterday's new pack[age he] was now proposing a [...] reduction for the same y[ear of] £1bn. with additional increases of £500m.

Thus, argued Sir Geoffr[ey, the] Chancellor had now taken [...] bites of the cherry durin[g the] current year to reduce [next] year's public sector borr[owing] requirement by £4.5bn. [He] had delayed doing so un[til the] economy was stagnant, [unem]ployment was rising an[d the] prospects for a return to [pros]perity were far worse tha[n they] need have been.

He welcomed the propos[als to] reduce food subsidies a[nd] phase out the regional une[mploy]ment programme. In additi[on he] sympathised with the des[ire to] reduce the State holding f[...]

At the same time he won[dered] to whom the Chancellor int[ended] selling the BP holdings [and] whether the disposal of [...] assets in a "socialist clea[rance] sale" would really restore national confidence.

THE ECONOMIC PACKAGE . . . The Chancellor's Speech continued

Hope for pay deal with TUC soon to settle income tax levels

and now held by the Bank of England.

"A central objective of Government policy is to continue the attack on inflation. To maintain a continued fall in inflation through to 1978 we shall need agreement between the TUC and the Government on how to pursue the attack on inflation while permitting greater flexibility in pay negotiation in the period after July, 1977.

"I hope it will be possible for us to reach agreement on this in time for me to take account of the outcome in settling the levels of income-tax in the next Budget.

"If, at the time I settle my Budget for 1977-78, I judge that without increasing the PSBR above £8.7bn. there is scope for tax reliefs and if, as I expect, a satisfactory agreement has been reached with the TUC and CBI on the next pay round, then I propose to use the available margin to reduce the present burden of income-tax which I believe to be too heavy.

Earnings

"In this context there are also important questions, which I shall want to consider with the TUC and other interested bodies, concerning the inter-relationships between changes in earnings, social security benefits, pensions and rates of direct and indirect taxation.

"There is one aspect of taxation which I intend to start considering at once. I believe it is important to find ways of improving the tax treatment of employees who live in this country but who work abroad on increasing our exports.

"The people I want to encourage are those at the sharp end of exporting—the business of selling British goods overseas—as well as those who contribute to our overseas earnings by working for a period overseas, for example, in construction projects.

"I have therefore asked the Inland Revenue to issue a Consultative Paper which will outline proposals to give to anyone who works for a period abroad the reliefs which are at present allowed only to those with separate jobs abroad.

"The proposals would also modify the rules governing the allowance of expenses incurred abroad. I have authorised the Revenue to seek the views of interested bodies, with a view to legislation in next year's Finance Bill.

Targets

"I have already described the targets which we have set for the PSBR of £8.7bn. for 1977/1978 and £8.6bn. for 1978/79, in order to create monetary conditions which will encourage investment and growth and will help to control inflation.

"We are expressing the essential monetary targets in terms of Domestic Credit Expansion, rather than money supply, since we agree with the IMF that this will be more appropriate than a target for M3 during a period when we shall be giving top priority to putting our balance of payments right.

"DCE will be kept to £9bn. in the year up to April 20, 1977 and £7.7bn. in the year ending April 19, 1978, and I expect a further reduction in the following year to £6bn.

"The growth of M3 which will accompany DCE at these rates will depend on a number of factors, especially progress on the balance of payments.

"For 1976/77, again on a banking month basis the growth of sterling M3 is likely to be between 9 per cent and 13 per cent. It is too early to give an estimate for 1977/78. But our target will now be in terms of DCE not M3.

"Because the public sector will be making a smaller demand on savings in the next two years, these DCE targets should provide sufficient room for industry's essential needs. The targets will be reviewed after six months to ensure that this is so.

"I hope, too, that the IMF agreement and the measures I have announced will enable us to see interest rates fall from their present exceptional levels while keeping control of the monetary aggregates.

"This reduction in interest rates may be slow at first, but should move faster as the balance of payments and the rate of inflation both improve.

"We shall, however, need the existing range of credit controls for the present, perhaps with technical adjustments to special deposits arising from success with gilt sales.

"To sum up, the Government's measures amount to a total fiscal adjustment of £1¼bn. in 1977-78 and £2bn. in 1978-79. In addition, the PSBR will benefit from the reduced cost of debt interest resulting not only from the lower borrowing requirement, but also from the lower level of interest rates which I am confident that these measures will help us to achieve.

Supports

"Dr. Witteveen, the Managing Director of the International Monetary Fund, has told me that he supports both the economic strategy which I have described and the measures the Government are taking, and is prepared to recommend acceptance of my request for the standby arrangement to the Executive Directors of the Fund.

"I have arranged for copies of my letter to him applying for the standby to be made available in the Vote Office this afternoon.

"Before the Fund Board meets there will be a meeting of the Group of Ten countries, who stand ready, under the General Arrangements to Borrow, to provide tht Fund with the usable currencies it needs for large drawings if its own available currencies are inadequate.

"I am confident that, in a matter of days after the end of the year, the operation will be complete and the reserves replenished.

Pressures

"The stand-by arrangements this time cover a two-year period, so that we can make the necessary adjustment without imposing unacceptable strains on the social contract and the industrial strategy.

"In total we shall be able to draw up to nearly $4bn. of which $1.15bn. immediately and over $1bn. more before the end of 1977. This, I am confident, will transform the external financing position in 1977.

"The Government has been concerned to remove the pressures exerted on the sterling exchange rate by the overhang of the sterling balances.

"Considerable work has already been done on this problem in the Bank for International Settlements in Basle, where Central Bank Governors have had constructive discussions over the last week-end. At the same time, the matter is also under discussion with the Treasury and the Federal Reserve in Washington.

"These talks have revealed a general desire on the part of those concerned to achieve a satisfactory arrangement for the sterling balances, and I believe it will be possible to reach an agreement before long.

"I am also glad to be able to tell the House that during the period ahead and in anticipation of further drawings under the agreement with the IMF which will take place later in the year, I intend to strengthen the reserves with $500m. which has been offered by the United States Treasury and the Federal Reserve in the form of swaps. In addition, the Bundesbank have offered the Bank of England a standby facility of $350m. by way of further support.

"The endorsement of our policies by the International Monetary Fund and the members of the GAB will relieve the pressures on sterling which have damaged our economic prospects in the past 12 months while the prospective arrangement for the sterling balances will help to reduce the risk of such pressures in future years. This should do much to restore the confidence on which all aspects of our economic performance critically depend.

Output

"The Government are releasing to-day and placing in the Vote Office the first economic forecast published under the provisions of the Industry Act 1975, and this will give the House a picture of the economic prospects following the measures I have announced.

"Over the next 12 months I expect a growth in total output of about 2 per cent., though this may be higher if our export performance improves further.

"The 2 per cent. increase in growth would include an increase of 5¼ per cent. in manufacturing production and 19½ per cent. in manufacturing investment.

"I do not see a prospect of a fall in unemployment; indeed I fear there is likely to be some further rise, but a smaller rise than would have been likely without the adjustments I have described.

"If unemployment does rise, this will be the consequence, not of to-day's measures which in sum will increase employment next year, but of the lower growth now expected all over the world and of other factors I have previously described to the House.

"The current account deficit, which has totalled £1.7bn. in the first 11 months of this year is likely to fall next year and there is good hope of reaching a substantial surplus in 1978-79—perhaps as high as £2-£3bn.

"Given continuing moderation in the increase in wage costs, the rate of price inflation should start falling again next summer. The measures I have announced will add less than 1 per cent. to the RPI by the end of 1977.

"Next year will be a difficult year of transition. I believe that the policies I have announced, reinforced by the next Budget and further progress on the Industrial Strategy, will ensure that it is a transition to a much more firmly based prosperity.

Prosperity

"Part of this prosperity will be due to the development of North Sea oil production, but our economic strength will depend critically on the use we make of the benefit this brings.

"We must use it not only to resume the growth in our living standards but also—and in the long run this is more important—to rebuild the capital base of our manufacturing industry.

"I believe that late seventies and early eighties should be a period when a steady increase of output, employment and living standards is combined with the repayment of our external debt.

"We shall at last be standing on our own feet, with an economy more healthy and efficient than we have seen at any time since the war.

"It is in that belief that the Government have decided these measures, and that I commend them to the House."

Labour backbenchers look back in anger at 9 budgets

BY PHILIP RAWSTORNE

"Where is the economic miracle now?" Mr. Denis Healey was asked in angry frustration from the Labour backbenches in the Commons yesterday.

Heaven and earth had been made in seven days—but here was the Chancellor with his ninth Budget and still no sign of an economic genesis.

The day's only unusual phenomenon, in fact, was the sight of a simultaneously depressed pound and Labour Left-wing.

"The Chancellor really ought to consider his position," a thoroughly disenchanted Mr. Eric Heffer declared amid Tory cheers.

For in his view, Mr. Healey's handiwork — public spending cut and prices and unemployment increased — might just as well have been done by a Tory Chancellor.

It was a view that Sir Geoffrey Howe, the Shadow Chancellor, was happy to confirm except for the reductions in defence. "This is an IMF Budget," he said.

Welcoming Mr. Healey's conversion to Conservatism, Sir Geoffrey's main criticism was that it had come too late. Even the disposal of BP shares along with the assorted party dogma in the "socialist clearing sale" might not be enough to revive confidence, he suggested.

It certainly raised no cheer on the Labour benches—except in ironic response to the duty-free New Year drink.

The Chancellor was selling the whole of the Labour movement's aspirations together with the BP shares, Mr. Alex Lyon complained bitterly.

Or at least putting them in hock for "a squalid little loan" that could have been obtained without such stringent conditions.

Why hadn't the Government bartered the Crown Jewels instead? demanded Mr. Michael English sourly. Or given up devolution? asked Mr. Fred Evans.

With hopes sinking quietly around him, the Chancellor—encouraged by a pat on the back from the Prime Minister — remained surprisingly buoyant. Next year would be a period of difficult transition, he said, in the first of several familiar echoes from his past speeches.

His measures and the IMF loan would stabilise sterling, bring down interest rates and create the conditions for industrial and economic prosperity in the 1980s, he asserted.

They would even, he added at one point, "reduce unemployment compared to what it would otherwise have been" though that meant it would still be heavier than now.

Despite the promise of lighter income-tax, Mr. Norman Atkinson, the Labour Party's Treasurer, rapidly calculated that the Chancellor's burden would be too much for the Government's contract with the trade unions to bear.

Full text of Britain's Letter of Intent to IMF

THE GOVERNMENT of the United Kingdom hereby requests of the International Monetary Fund a stand-by arrangement under which for a period of two years the Government of the U.K. will have the right to purchase from the Fund currencies of other members in exchange for sterling up to an amount equivalent to SDR 3,360 million.

Before making purchases under the stand-by arrangement, the Government will consult with the Managing Director on the particular currencies to be purchased from the Fund.

2—The purpose of this request is to support the policies that have been adopted by the Government of the U.K. to strengthen the balance of payments and create the conditions in which it will be possible to get both unemployment and domestic inflation down from their present unacceptable levels and keep them down.

The stand-by arrangement will also help to repay external debt now falling due and assist in maintaining orderly conditions in the exchange market for sterling.

The Government's objectives and policies, which I shall summarise below, have been set out in detail in recent policy pronouncements, including particularly the Prime Minister's speech to the House of Commons on October 11, my speeches to the House on October 11 and November 30 and my statement in the House this afternoon.

Objectives

3—Since the summer of 1975, the Government, with the support of both sides of industry, has pursued a medium-term strategy whose objectives are to reduce the rate of inflation and to achieve a sustainable growth in output, employment and living standards based on a strong expansion in net exports and productive investment.

In order to secure this strategy, the White Paper on public expenditure published in February 1976 (Cmnd. 6393) indicated the Government's intention in the years ahead to reduce the share of resources taken by public expenditure.

It is also part of this strategy to reduce the public sector borrowing requirement so as to establish monetary conditions which will help the growth of output and the control of inflation.

The Government sees this strategy as the basis for a three-year programme which will firmly establish the recovery of the nation's economy and will also allow the U.K. to make its proper contribution to the stability and prosperity of the world.

Social contract

4—The two pillars on which this strategy is based are the social contract with the trades union movement, which has already allowed us to achieve a substantial reduction in the rate of price and wage inflation and has brought about a dramatic improvement in industrial relations; and the industrial strategy, through which the Government, the trade unions and the employers are seeking to improve the performance of our manufacturing industry and, in particular, its productivity and its ability to compete successfully in world markets.

It is our firm intention to continue the policy of securing a progressive deceleration of inflation through voluntary agreement between the Government and the Trades Union Congress.

Under the first stage of this policy, the increase in average earnings was reduced to 13.9 per cent. in the year ending July, 1976, from 27.6 per cent. in the corresponding period a year earlier.

Under the second stage, the TUC and Government are applying the present pay agreement strictly; average earnings resulting from this second stage policy in the period July, 1976, to July, 1977, will rise by something like half of the amount of increase in the preceding 12 months.

Sharp rise

Largely because of this restraint in earnings the rate of price increase has fallen sharply from a rate of 25.9 per cent. in the 12 months to October, 1975, to one of 14.7 per cent. in the 12 months to October, 1976.

In recent months this progress has been interrupted because of the sharp rise in commodity prices, the effects of the drought and the depreciation of the exchange rate of sterling. Nevertheless, the Government is determined to ensure that the rate of inflation continues to fall.

Accordingly, it will begin early next year to consider, in consultation with the TUC and the CBI, how this objective can best be pursued in the period beyond July, 1977.

I would aim at reaching agreement through these consultations in the early spring of next year, in time for the Budget.

This will ensure that the gains achieved by the sacrifices already made are further improved and that there is continued progress in bringing the rate of inflation in the U.K. down to that obtaining in the other main industrial countries.

Productivity

5—Work to develop an industrial strategy can produce major results only in the medium-term, but significant progress has been made in the last 12 months.

The current phase of the work is directed to increasing market shares at home and abroad, through improvements in industrial productivity and non-price competitiveness.

It is the Government's policy to create the conditions in which a strong British manufacturing industry can contribute to the improvement of our balance of trade and payments.

6—I have repeatedly stressed that the Government aims to strengthen the balance of payments progressively over the coming years as one essential condition for sustained growth and a high level of employment.

On the basis of our present projections for the growth of world trade and prices, the Government expects that the deficit on current account will fall from over £2bn. in 1976-77 to about £1bn. in 1977-78 and then move into a surplus of some £2bn. to £3bn. in 1978-79.

North Sea

In the coming years the current account will increasingly benefit from production of North Sea oil and gas.

This prospect together with continued progress in improving the non-oil component of our external accounts will allow us to reduce the large outstanding amount of foreign debt that has been accumulated and at the same time to reconstitute our foreign exchange reserves.

However, I must emphasise that an improvement of this magnitude must depend on a satisfactory rate of expansion in world trade.

It is not possible for deficit countries to improve their position unless countries with a strong balance of payments ensure a satisfactory rate of growth in their economies and are prepared to accept a deterioration in their own external position.

Stabilisation

7—The Government is determined to carry through a stabilisation programme which will bring the economy into balance and which, if it is not to produce unacceptable social tensions and levels of unemployment, will need to extend over two to three years.

The changes required by this programme must proceed at a pace which will not overstrain the consensus on which our policies for regenerating industry and reducing inflation must depend.

The Government is deeply conscious that the present state of the economy has brought a waste of human and material resources.

The Government's objective is to break decisively away from the constricting pattern of present circumstances and post-war disappointments.

It will therefore keep a close watch on the development of the economy, so that if any further action is needed, it can be taken in good time to ensure that conditions are favourable for the necessary shift of resources into exports and productive investment.

For this purpose, an essential element of the Government's strategy will be a continuing and substantial reduction over the next few years in the share of resources required for the public sector.

It is also essential to reduce the public sector borrowing requirement (PSBR) in order to create monetary conditions which will encourage investment and support sustained growth and the control of inflation.

In the following paragraphs of this letter I will describe the policies which the Government will therefore follow over the next two years: the policies for the second year—the financial year 1978-79—will be reviewed before the end of 1977, in the light of economic developments and prospects.

Improvement

8—Our most recent forecast shows the PSBR in 1976-77 to be £11.2bn. This is less than the figure of £12bn. forecast when I requested a stand-by arrangement in the first credit tranche in December 1975.

This improvement in the expected outcome reflects higher revenues because of the higher rate of inflation referred to in paragraph 4 above and the improved financial position of the public corporations.

It has also been assisted by the progress that has recently been made in establishing firm control over large areas of public expenditures by the use of cash limits and our refusal to sanction expenditure beyond the total set in last February's White Paper for programmes and the contingency reserve.

Surcharge

9—In the White Paper of February this year (Cmnd. 6393) the Government introduced policies to move resources into the balance of payments and investment by reducing public expenditure in both 1977-78 and 1978-1979.

In July, 1976, it made further

Dr. Johannes Witteveen, IMF managing director.

reduction in public expenditure programmes for the year 1977-78, of the order of £1bn. at 1976 Survey prices.

It also announced a surcharge on employers' national insurance contributions, to become effective on April 6, 1977, which will yield some £1bn. in additional revenue in 1977-78.

10—Since these measures were announced, there have been periods of instability in the exchange market and pressures on monetary aggregates, which have led to a steep increase in interest rates; these, if sustained, would damage our economic performance in several areas.

Alcohol

I am therefore convinced that a further reduction in public expenditure and in the public sector borrowing requirement is unavoidable.

11—To remove this instability, therefore, the Government has decided to reduce public expenditure programmes in 1977-78 by a further £1bn. and in 1978-79 by £1.5bn., at 1976 Survey prices in both cases.

Details are set out in my statement to the House of Commons to-day.

At the same time I wish to give the maximum possible help to industry and to avoid unnecessary unemployment.

I therefore intend to increase expenditure on incentives for industrial investment and expansion and on measures to reduce unemployment in each of the two years 1977-78 and 1978-79 by £200m.

This expenditure will be financed by an increase of 10 per cent. in the duties on alcohol and tobacco.

12. As a result of these measures and of a sale during 1977-78 of British Petroleum shares calculatedt o yield £500m., the aim is to hold the PSBR to £8.7bn. in that year.

As a proportion of GDP at market prices the PSBR will, therefore, fall from about 9 per cent in 1976-77 to about 6 per cent. in 1977-78.

If, at the time I plan by Budget for 1977-78, I judgethat without increasing the PSBR above £8.7bn. there is scope for tax reliefs and if, as I hope, a satisfactory agreement has been reached with the TUC and the CBI on pay arrangements for the period after July, 1977, then I would plan to use hte available margin to reduce the present burden of direct taxation.

My own belief is that present levels of direct taxation have proved discouraging to effort and efficiency, and if they were to continue unchanged they could threaten the improvement in our economic performance which is an essential objective of the Government's startegy.

Expenditure

13. The profile of public expenditure, after these reductions and those mentioned earlier in this letter can therefore be stated as follows.

The total of public expenditure programmes for the financial year 1976-77 (excluding debt interest and capital finance for nationalised industries) is now expected to be about 1 per cent. more in volume than in 1975-76, when it was approximately £50.5bn. at 1976 Survey prices.

This latest 1976-77 estimate is within the corresponding provision for these programmes and the contingency reserve in the the last public expenditure White Paper (Cmnd. 6393).

The level in 1977-78, after the measures announced in July and the further reductions now decided, is planned to fall to about 1 per cent. below that of 1975-76 Survey prices without taking account of the proceeds of the planned sale of British Petroleum shares.

Capital

The planned level for 1978-79 wil lalso be about 1 per cent. below that for 1975-76.

That part of total expenditure which is due to provision for social security benefits for the unemployed is however subject to a margin of fluctuation according to the actual level of unemployment.

The revised expenditure programmes incorporating the changes which I have described will be published in the next public expenditure White Paper.

The implication of the figures which I have given is that the pubilshed total for programmes plus the contingency reserve, but excluding on the one hand receipts from the sale of the British Petroleum shares and on the other hand debt interest and capital finance for the nationalised industries, will be around £50bn. or somewhat less in 1977-1978 and around £50bn. again in 1978-79, at 1976 Survey prices in both cases.

Capital finance for the nationalised industries mobilised by the Government is estimated to be broadly stable over this period.

14. I also intend to take further fiscal action totalling £0.5bn. at 1976 prices affecting 1978-79 in order to bring the PSBR for that year down to £8.6bn. in nominal terms; this would represent a fall in the level of the PSBR to some 5¼ per cent. of GDP at market prices in that year.

Investment

15. The Government has determined these objectives for the PSBR on the basis of a forecast that hte gross domestic product will show an increase of about 2 per cent. in 1977-78 compared with 1976-77, followed by a somewhat larger increase of 2½-3 per cent. between 1977-78 and 1978-1979.

16. In carrying out the annual survey of public expenditure programmes in 1977 and in preparing my 1978 Budget, I shall continue to be guided by the need, which is an essential element in our strategy, to shift resources into the export and investment sectors and I shall, therefore, take full account of the prospective growth of output and ensure that nothing stands in the way of this shift of resources.

In particular, if the forecast rate of growth from the beginning of 1978 to the end of 1979 is in excess of 3.5 per cent. per annum, I shall—in order to allow for it—make an additional fiscal adjustment in 1978-79 of between £500m. and £1bn. at 1976 prices. The exact figure would depend on the buoyancy of aggregate demand.

Money supply

17—A reduction in the PSBR will go a long way to improve our ability to control the rate of growth of the monetary aggregates, and will help to reduce the level of interest rates which might otherwise be an impediment to increased industrial investment.

I have repeatedly stressed that our policies should not be undermined by an excessive expansion of credit.

In the first half of 1976-77, the growth of bank lending rose much more rapidly than expected, and this contributed to pressures on the pound. To counter these developments, a series of measures has been taken.

In September and October 1976, the Bank of England increased their minimum lending rate substantially and called for special deposits from the banking system amounting in all to 3 per cent. of eligible liabilities.

In November the Bank of England reintroduced the system of supplementary special deposits which should ensure that the growth of credit and the money aggregates is brought under control quickly.

The Government is determined that bank credit expansion will not undermine the stability of the exchange market.

18. I accordingly intend that domestic credit expansion should be kept to £9bn. in the 12 months ending April 20, 1977, and to £7.7bn. in the 12 months ending April 19, 1978.

I intend, however, to review the latter figure early in the financial year and to take account of the prospective financial requirements of industry for investment and expansion.

It is the Government's intention that the course during each year of Domestic Credit Expansion (DCE), and of the Public Sector Borrowing Requirement within it, should be consistent with the intended results for the year as a whole and to take action as appropriate to this end.

19. In the year ending April 18, 1979, I expect the expansion of domestic credit to be further reduced to £6bn. This, however, will have to be reviewed late in 1977 in the light of the prospects for 1978-79.

In that review an appropriate downward adjustment will be made in the intended rate of domestic credit expansion for any reduction in the public sector borrowing requirement for 1978-79 that may result from the review described in paragraph 16.

20. I intend to fund the major part of the PSBR outside the banking system, so that there can be room within these levels of domestic credit expansion for bank credit to facilitate the shift of resources into exports and productive investment.

I envisage that the measures which I have now taken, especially those to reduce the PSBR, will make it possible to reduce interest rates progressively from their present exceptional levels, while maintaining effective control of the monetary aggregates.

21. For at least the immediate future, the supplementary special deposits scheme, involving guidelines for the growth of banks' interest-bearing liabilities, will be a key instrument for controlling the growth of bank credit to the private sector.

It may also cause some shift of holdings of short-term public sector debt away from the banking system, distorting bte DCE and money supply statistics, without affecting the underlying state of liquidity in the economy.

If this happens I intend to keep DCE correspondingly lower than the targets set out above.

22: While the exact implications of the targets for DCE for the growth of the money supply, and in particular for sterling M3, will depend on the speed of progress in achieving our balance of payments objectives, I am satisfied that the resultant course of sterling M3 will be consistent with a reduction in inflation.

23. During the past year the problems of financing our external and internal deficits have seriously hampered progress in achieving our goals.

The exchange market, in particular, has been a conspicuous cause of uncertainty, thereby undoubtedly delaying the recovery of the economy.

The measures now taken by the Government give assurance that private business decisions can be taken against the background of a clearly defined policy.

Competitive

Intervention will be designed to min'mise disruptive short-term fluctuations in the rate and to maintain stability in the exchange markets consistently with the continued maintenance of the competitive position of U.K. manufactures both at home and overseas.

It is my belief that this, in conjunction with the continued restraint of domestic demand, a steady improvement in non-price compet'tiveness and progress in aligning our cost and price inflation to those of our major partners, will alter the long-standing trend for the U.K. share of world markets to diminish, and limit more effectively the continuing penetration of the domestic market by imported manufactures, thereby promoting industrial growth in the U.K.

It should also help to secure us a much-needed improvement in our reserves position.

The U.K. authorities stress their support of the Executive Board Decision of January 23, 1974, on Consultations on Members' Policies in Present Circumstances, and reiterate their intention to collaborate with the Fund in accordance with the provisions of Article IV, Section 4(a).

Injury

24. The Government remains firmly opposed to generalised restrictions on trade and does not intend to introduce restrictions for balance of payments purposes.

It continues to believe, however, that in current economic circumstances there may be cases where particular industries which are viable in the long-term are suffering serious injury as a result of increased imports.

The Government has introduced certain temporary selective measures in a number of such cases and has stated that it is prepared to consider the further use of such measures where they may be justified in similar cases which may arise.

It will be the Government's policy to reduce such protective measures as soon as circumstances permit.

During the period of the stand-by arrangement, the Government does not intend to introduce any muultiple currency practices or impose new or intensify existing rsetrictions on payments and transfers for current internationol transactions.

25. The Government believes that the policies set out n this letter are adequate to achieve the objectives of its programme, but will take any further measures that may become appropriate for this purpose.

The U.K. Government will consult the Fund in accordance with the policies of the Fund on such consultation on the adoption of any measure that may be appropriate.

In any case, the U.K. authorities will reach understandings with the Fund before January 16, 1978, on their policy intentions for the remaining period of the stand-by arrangement.

DENIS HEALEY

THE ECONOMIC PACKAGE

DEFENCE

The sharpest cuts of all

ON OCTOBER 29 Mr. Fred Mulley, the Defence Secretary, said in a written Parliamentary answer that the planned level of defence expenditure which the Government had inherited in 1974 had been cut by about £8bn. at 1976 survey prices. The cuts announced by Mr. Denis Healey yesterday take the figure to £8.33bn. There can be no doubt, however, that it was yesterday's cuts that hurt most.

For the first time, there is not even a pretence that the British commitment to NATO will be unaffected. The Alliance was not even informed until the beginning of this week, in spite of the presence in Brussels a few days ago of both Mr. Mulley and Mr. Anthony Crosland, the Foreign Secretary, for the regular NATO winter meetings. There is no pretence either that the £100m. cut will fall. The £100m. cut there will be no effect on the morale of the services or on civilian personnel.

What is more, the latest cuts have been so sudden that no one yet knows precisely where they will fall. The £100m. cut announced for 1977-78 brings the total reduction from the original defence estimates for that period to £935m.

The view at the Ministry of Defence last night was that even this amount could be adequately absorbed, if that were all: it is the additional £230m. cuts in the budget for 1978-79 that provide the real concern.

In the normal way, the 1977-78 cuts could be met by a number of small economies, especially in the works and support services. But such economies tend to lead to more spending later and there will be no room for this in 1978-79 where the total cuts on the original estimates now amount to just over £1.2bn.

It is for this reason that the Ministry feels the need to review every aspect of defence expenditure, including large equipment programmes such as the Multi-Role Combat Aircraft (MRCA), the anti-submarine cruisers, and the size of the armed forces. It will also mean the closest possible consultations with NATO.

About 98 per cent. of Britain's defence expenditure is now directly or indirectly related to the Alliance. Since the latest cuts amount to about 4 per cent., it has become almost impossible to claim that its contribution will not be somehow affected.

Michael Donne
Malcolm Rutherford

NATIONALISED INDUSTRIES

More self-financing

ONE OF the minor absurdities of Government accounting has been the practice to lump together the total combined investment programmes of the nationalised industries under the heading public expenditure. That broad brush approach has taken no account of the differing abilities of the individual industries to pay their own way. For instance, while the steel industry has not been able during the recession to generate cash to finance its £800m. a year expansion programme, the electricity supply industry has been able to cope with its modest current development programme almost entirely by cash generated from its electricity sales.

The Government intends to be more realistic about nationalised industry investment programmes and the financing of those programmes. Mr. Healey told the Commons that in future only Government finance provided for the nationalised industries would be included in the public expenditure figures. That means that money raised for nationalised industry capital investment through self-financing by the individual industries will not be considered as public capital spending. Neither will the public expenditure figures take account in future of borrowing by the nationalised industries from external sources such as the Eurodollar market, the European Investment Bank, and the Community institutions.

The Government intends to agree with the nationalised industries action which will reduce the level of Government financing by £110m. and £130m. in the next two years. If such cuts were to be applied to the total nationalised industries' spending programme of nearly £2.5bn. a year, they would represent an awkward 5 per cent. cut across the board which would certainly be reflected in the performances of the individual industries. In talks with the Government during the next few days the nationalised industries will be seeking assurances that they will be allowed to offset the Government financing cuts in two ways: by more self financing where that is possible, and by higher borrowing from non-Government sources.

Their task will be made easier by the willingness of the Government recently to allow the prices of the nationalised industries' products and services to rise to commercial levels.

Roy Hodson

FOOD SUBSIDIES

Phasing out will add £160m. to shopping bill

FOOD SUBSIDIES are now to be phased out two years earlier than previously planned and the budget for next year is being cut back from £200m. to £40m. This means that further price rises of 1p a pint on milk, 3p a pound on cheese, 1p a loaf of bread and 1p on flour are inevitable, even without further cost increases by April, 1978. And, in the case of bread, the bakers are predicting that higher costs could add another 3p to the cost of a loaf without the abolition of the subsidy.

The phasing out of subsidies was announced by Mr. Roy Hattersley, the Secretary of Prices. In a written parliamentary answer, he said that the present 4p a pound butter subsidy would be abolished from December 28. At the same time, the cheese subsidy would be reduced from £109 a ton to £45 a ton, thus adding 4p to the retail price of a pound of cheese.

More cuts likely

Mr. Hattersley said that he did not intend to make further reductions within the next few months. But the rate at which the subsidy programme is now to be run down means that further cuts are likely soon after the financial year begins in April. In the present financial year, the Department of Prices had £408m. to spend on food subsidies (at 1976) prices. Next year, the budget is being cut by £160m., leaving the Department with only £40m. to spend on subsidies for the full year—hardly enough to sustain the bread subsidy at its new reduced rate let alone the rest of the products.

The Labour Government first introduced its subsidy programme in 1974. It was originally designed as a way of evening out of what was thought would be the temporary rises in inflation caused by the commodity boom. The Government always stressed that the subsidies were not meant to be permanent but it had hoped to wind down the programme without seeing prices rise in the shops as a result of the cuts.

Price index impact

Yesterday's cutting of the subsidy programme for next year was the second announced this year and means that subsidies will end a year earlier than previously planned, thus saving £82m. in 1978-79 and £56m. in 1979-80, as well as the £160m. for next year.

The abolition of food subsidies will add 1.7 per cent. to the Food Prices Index and 0.4 per cent. to the RPI.

Elinor Goodman

GAS

Autonomy clipped

THE ANNOUNCEMENT of increased gas prices in April sent a wave of surprise and, one suspects, resentment through the Marble Arch offices of the British Gas Corporation.

No public corporation is more jealous of its reputation and ability to act commercially than British Gas. Mr. Denis Rooke, the chairman has repeatedly attacked suggestions from his competitors (particularly coal and electricity) that gas supplies should be taxed.

It appears that the taxation idea has been set aside by the Government, but the 14m. gas customers still face increases as a direct result of Government intervention.

Tariff customers could face increases of up to 10 per cent. in April. The final amount will depend on nuclear energy plans. The Chancellor has indicated that he expects the nationalised energy industries to contribute over £100m. to the reduction of State financing. Most of that is expected to come from gas —hence the tentative 10 per cent. figure. Whitehall has pointed out, however, that British Gas's contribution to the economic package could be offset by savings by the Atomic Energy Authority. That is tied up with the whole, messy nuclear debate.

British Gas debt stands at £2.29bn. In a few years the Corporation will face a heavy commitment in the projected gas gathering pipelines for the North Sea, which could cost £2bn.

Mr. Rooke had promised that a "barring Government interference" there should be no need for another price rise before October next year. That statement followed the last price adjustment in October when tariffs went up by an average of about 12 per cent. The Electric Heating Bureau claimed that the rise "nailed the lie" that gas was much cheaper than electricity in the domestic sector. British Gas replied that the average annual cost of gas for central heating and hot water in a house of between 10,000 cubic feet and 12,500 cubic feet is £187, compared with £352 for an all-electric house, £227 for an oil-fired heating system, and £221 for a coal-fired system. How long British Gas can retain its competitive position remains to be seen. It now partly hinges on the nuclear debate.

Ray Dafter

TAX AND FOREIGN EMPLOYMENT

Fair deal promised

THE Chancellor promised yesterday to improve the tax treatment of employees who live in this country but who work abroad for long periods, promoting exports or working on construction projects. The background is that until the 1974 Budget, U.K. residents, who had separate contracts of employment for duties performed wholly abroad, were taxed on emoluments for those duties only if remitted. Most businessmen did not abuse these privileges, but some did.

The rules were changed in 1974. The "remittance basis" principle was abolished (except for those domiciled abroad) and instead there was a provision that only 75 per cent. of income earned wholly abroad was taxable, the other 25 per cent. being tax free.

There were special arrangements which will doubtless continue for those working abroad for 365 days or more.

Under the new arrangements, it is still necessary to have two separate contracts of employment, and recently the Inland Revenue has been taking a rather hard line about what constitutes a separate employment. The Chancellor's statement suggests that this complication may no longer be necessary. There might, perhaps, be a general pro rata deduction for those working part of the year abroad.

A particular problem involves expenses. Where there is a separate employment, the Revenue could invoke the principle that the expenses of travelling to work are not tax deductible. An engineer doing a spell in Saudi Arabia might find himself eligible for a 25 per cent. deduction—but be taxed on his air fare as a benefit. The Chancellor reassured the House of Commons on this point at the time and his assurance was translated into Extra Statutory Concessions A.30, by which travelling expenses being paid by the employer are not taxed as a benefit.

Unfortunately the Revenue has been taking a strict view of what constitutes travelling expenses and has been attempting to disallow local living expenses.

The whole procedure has caused considerable ill-feeling among employees who are not only over-taxed, but are working alongside colleagues from other countries who enjoy more generous gross income and far lower tax burdens. The question of expenses will also come within the ambit of the Inland Revenue consultative paper which is shortly to be issued.

John Chown

BRITISH PETROLEUM

Complications with the law

THE PLAN to dispose of a 17 per cent. stake in British Petroleum from the 68 per cent. in State hands will involve the largest single sale ever made of shares in a British company.

Mr. Healey is lucky that the Government and the Bank of England together hold such a large stake in what is probably the only British company whose shares could be successfully sold in such quantity. BP, with large assets in Alaska, the North Sea and elsewhere, is a favourite on Wall Street, where it is nicknamed British Pete, as well as in London. Its shares have fairly recently touched a 1976 peak of 780p.

In the past few days they have come back on uncertainty about the impending sale. At last night's price of 720p, down 16p, a 17 per cent. holding would be worth only £472m. without allowing for the discount probably necessary on the large sale involved.

The disposal is not to be made until 1977-78—starting in April—so that some months at least are being allowed to choose a favourable moment.

One surprise is that it has not yet been decided whether the shares will come from the 20 per cent. stake which the Bank of England took over from Burmah Oil as part of its rescue operation for that company. This is the preferred source for the sale: only if the present legal dispute around that holding proves an irremovable impediment will the Government sell an equivalent amount from its own interest.

Indications last night were that it may not be at all straightforward to sell the holding formerly owned by Burmah, which is suing the Bank for the return of the shares against repayment of the low £179m. price at which they changed hands in the depressed market last year. While Mr. Healey confirmed that the Bank was advised it had a solid case, Burmah also reiterated its conviction about the strength of its own claim. It would probably be a mistake to assume that yesterday's statement implies that the Bank will hurry to make a settlement with Burmah.

Thinking in the City last night was that the sale would certainly be at least in part by a placing with institutions, but possibly in part by public offer for sale. With some months to go, terms cannot yet be forecast, but delay and uncertainty will not help the share price.

Margaret Reid

The outlook for 1977

THE TREASURY issued a statement after the Chancellor's speech setting out the economic forecasts for 1977 which formed the background to the policy measures announced yesterday. It is based on information available up to late October, adjusted only for subsequent policy decisions. It fulfils the requirements of Schedule 5 of the Industry Act 1975.

The statement states: The first column of Table 1 shows the main forecast, which is consistent with the prospects for the current balance, the public sector borrowing requirements (PSBR) and domestic credit expansion referred to in the Chancellor's statement and the Letter of Intent.

The second column shows the possible consequences of a better performance by industry in export markets and in competition with imports. The forecasts in both columns assume the continued success of pay policy and the maintenance of the U.K.'s present competitive position relative to other industrial countries.

Investment

As a result of improved competitiveness and restricted domestic demand, the forecast shows a continued shift of resources into exports and import saving and a major revival in manufacturing investment. Stockbuilding is also likely to show a further recovery. But because both personal consumption and public expenditure on goods and services are likely to fall, only a modest growth rate in GDP of around 2 per cent. can be expected during 1977.

The forecast shows strongly divergent trends within private sector investment, with the total remaining unchanged despite a very strong recovery in the manufacturing sector. The buoyancy of manufacturing investment is confirmed by survey evidence and should be helped by the additional incentives and by the comparatively favourable prospects for manufacturing output.

By comparison with 2 per cent. growth in total output (GDP) during 1977 manufacturing output is forecast to rise by about 5½ per cent. The falls in other categories of private investment are largely the consequence of unusually high figures for investment in ships and North Sea oil installations in the second half of 1976. A fall in private sector housing investment is also likely.

Exports

Both because of the improvement in export volumes relative to imports and because of the increasing production of North Sea oil, the external current account is likely to be on a strongly improving trend, though the official forecasts show a rather slower improvement than some independent forecasts. A continuing, though declining, deficit is forecast for 1977 with a surplus achieved in 1978.

The pace and scale of the balance of payments improvement depends greatly on the growth of world trade and on the terms of trade, both of which are extremely difficult to forecast.

The forecast increase in retail prices reflects, to a large extent, the effects of the higher import prices which have followed from this year's depreciation of sterling and rise in world commodity prices. By the second half of 1977, a marked slowing down of price increases can be expected. In the fourth quarter of 1977, the increase on a year earlier might be around 15 per cent. and the current rate of increase (and hence the prospect for 1978) very substantially below this figure.

Finally, the table shows the forecast for the PSBR in the current and following financial years. These reflect the policy measures taken and the forecast development of the economy as a whole.

A fuller tabulation of output and expenditure volumes is set out in Table 2.

In presenting forecasts it is always necessary to stress the high degree of uncertainty involved.

Table 1—Summary of prospects

		Main Forecast	Variant with stronger trade performance
A.	Output and expenditure at constant prices		
	Per cent. changes		
	2nd half 1976 to 2nd half 1977		
	Gross Domestic Product (at factor cost))	2	3
	Consumers' expenditure	−2	−2
	Public expenditure on goods and services	−3	−3
	Exports of Goods and Services	8½	10½
	Private fixed investment	—	½
	of which		
	Manufacturing investment	19½	20½
	Stockbuilding (as per cent. of GDP)	1½	2
	Imports of goods and services	1½	½
	Manufacturing production	5½	7
B.	Balance of Payments on current account		
	£ billion (current prices)		
	1977 1st half	−1	−1
	2nd half	−½	0
C.	Public Sector Borrowing Requirement		
	£ billion (current prices)		
	Financial year 1976-77	11	11
	Financial year 1977-78	8½	8
D.	Retail Price Index		
	Per cent. change		
	Fourth quarter 1976 to fourth quarter 1977	15	15

Forecasts of Expenditure, Imports and Gross Domestic Product *

£m. at 1970 prices, seasonally adjust[ed]

Table 2

	Consumers' expenditure	Public expenditure on goods and services: Public authorities' consumption	Public investment	Total	Private fixed investment	Exports of goods and services	*Stockbuilding	Total final expenditure	Less imports of goods and services	Less adjustment to factor cost	*Gross domestic product at factor cost	GDP index 1974 =100
1974	35,600	10,350	4,150	14,500	5,950	14,500	400	71,250	14,450	8,900	47,900	100.0
1975	35,400	10,800	4,150	14,950	5,750	14,300	−1,150	69,250	13,550	8,750	46,950	98.[illegible]
1976	35,350	11,100	4,200	15,300	5,550	15,100	−500	70,800	14,400	8,850	47,550	99.[illegible]
1977	35,000	11,300	3,800	15,100	5,650	16,350	300	72,400	15,000	8,800	48,600	101.[illegible]
1974 first half	17,650	5,150	2,050	7,200	3,000	7,400	0	35,250	7,250	4,400	23,600	98.[illegible]
second half	17,950	5,200	2,100	7,300	2,950	7,400	400	36,000	7,200	4,500	24,300	101.[illegible]
1975 first half	17,850	5,300	2,100	7,400	2,850	7,250	−600	34,750	6,700	4,400	23,650	98.[illegible]
second half	17,550	5,500	2,050	7,550	2,900	7,050	−550	34,500	6,850	4,350	23,300	97.[illegible]
1976 first half	17,650	5,500	2,150	7,650	2,700	7,450	−350	35,100	7,050	4,400	23,650	98.[illegible]
second half	17,700	5,600	2,050	7,650	2,850	7,650	−150	35,200	7,350	4,450	23,900	99.[illegible]
1977 first half	17,600	5,650	2,000	7,650	2,800	8,050	50	36,150	7,500	4,400	24,250	101.[illegible]
second half	17,400	5,650	1,800	7,450	2,850	8,300	250	36,250	7,500	4,400	24,350	101.[illegible]
Percentage changes:												
Second half 1975 to second half 1976	1.0	2	—	1½	[illegible]	8		6½	8	1½	2½	
Second half 1976 to second half 1977	−2	½	−12½	−3	[illegible]	8½		3½	1½	−1	2	
First half 1976 to second half 1977 (at annual rate)	−1	1½	−10½	−2	[illegible]	7		4½	4	−½	2	

* All figures in this table are based on "compromise" estimates of gross domestic product. Discrepancies between compromise [and] expenditure estimates have been added to stockbuilding.

Note: Figures in £m. are rounded to £50m. Percentage changes are calculated from unrounded levels in £m. and then rounded [to] ½ per cent. The GDP index in the final column is calculated from unrounded numbers.

OVERSEAS AID

Worse but not the worst

THE DECISION to cut £50m. from the overseas aid programme in each of the next two budget years will be highly unpopular with the Labour backbenchers and the increasingly vocal aid lobby outside Parliament. Voluntary agencies, which have recently been working more closely with the Government, are bound to feel particularly discouraged, and Oxfam last night described the decision as "astonishing and terrible."

Since the Labour Government came to power in 1974, the political sensitivity of the aid programme has hitherto saved it from the knife—except for a modest reduction in planned increases in April, 1975. Yet overseas aid has fallen as a proportion of total Government public expenditure from 2 per cent. in 1961 to 0.89 per cent. last year, and Britain's effort already compares badly with that of a number of other industrialised countries. Yesterday's cuts will bring the 1977-78 aid programme, net of loan repayments, down to £494m. at current prices, against £515.8m. this year. The figure for 1978-79 is now put at £523.9m. at this year's prices.

This time, Mr. Prentice seems to have accepted the inevitability of cuts. "It has been very plain to me for some time that if Britain is to find its economic feet, firm action had to be taken about public expenditure. I shall continue to carry on an efficient and effective programme of assistance to poorer countries inevitably depends on Britain's own economic strength," he said yesterday. His Ministry, while accepting that the reductions will make it more difficult to achieve the country's aid objectives, will maintain its policy of devoting a higher proportion of aid to the poorest.

Poorest

The Development Ministry hopes that existing commitments may not need to be cut, such as the medium-term programmes it has signed with individual countries. No decision has yet been taken where the cuts will fall, and the whole programme will be studied to see where they can be accommodated. At the moment, three-quarters of U.K. aid is bilateral and roughly three-quarters of this goes to the Commonwealth. Asian countries, excluding the Middle East, are the biggest recipients, with 35 per cent. of the total of bilateral aid, followed by Africa with 25 per cent.

The cuts will inevitably make it more difficult for the U.K. to meet the official United Nations target of 0.7 per cent. of GNP for public aid. Even before yesterday's announcement, the British figure for 1977 was expected to reach 0.37 per cent. of GNP, compared with 0.38 per cent. this year, according to World Bank figures. Britain's performance compares unfavourably with that of countries like Sweden, Norway and the Netherlands, who are already above the U.N. target level. But remember that Western world's three richest countries, the U.S., Germany and Japan, are all below Britain on the World Bank's scale.

Reginald D[ale]

PAY POLICY

A big argument ahead

THE CABINET has so far accepted the Civil Service argument that it is administratively too costly to tax unemployment benefit, but a proposal to tax the earnings-related supplement—the higher rate of dole paid to higher wage-earners—is still alive.

This proposal will be put to the TUC in the discussions on social security announced by the Chancellor yesterday. Figures will also be presented showing the very high cost of the present law that obliges the Government to increase pensions and other benefits (and by custom supplementary benefit) in line with the rate of increase of earnings or prices, whichever is the higher.

Income tax

Early in the talks on the current round of public spending cuts it was decided that a change in the law to allow increases according to which of the indices was the lower could not get through the present House of Commons. An effort will be made to persuade the TUC that this is costing its members a perceptible amount in income tax and national insurance payments; the hope is that an agreement will be reached that the Labour members of the Commons will all accept.

TUC agreement will be difficult to come by. Mr. Jack Jones, general secretary of the Transport and General Workers Union, has already warned against tampering with pension and social security payments. He spoke last week at a meeting of the TUC-Labour Party liaison committee where he and other TUC leaders have regular meetings with the Prime Minister and the Chancellor.

From the Chancellor's comments yesterday it appears that he wants these issues included in negotiations on the form of the next stage of pay policy. They are expected to start early in the New Year. He will offer to be fairly generous with tax concessions to stand a real chance of winning acceptance of curbs on pensions and benefits as well as wages.

Roy Ro[gers]

EDUCATION

No gravy for Parkinson

REVERSAL of a Parkinson's Law increase in the administrative costs of the school meals service is the main hope for real savings in the recurrent spending on education. Of the 49p average cost of the meal, only 18p goes on food.

The number of catering staff, supervisors and so on has grown nearly three times as fast over the past five years as has the number of pupils taking the meal. The number of pupil customers in England and Wales has risen from about 5.5m. to nearly 6m., of whom only about 800,000 eat free of charge because of their poor family circumstances. The number of full and part time staff has risen from 436,000 to an estimated 531,000—all of whom themselves receive a free meal.

With the selling price of the school dinner held at 15p until next autumn (when it will rise by 10p), the subsidy to the meals service is now about £358m. Mrs. Shirley Williams, Secretary for Education and Science, is starting talks with local education authorities to examine how overhead costs can be cut to save about £10m. in 1977-78, and perhaps £37m. in 1978-79.

This would be a large contribution towards the total savings from the next two years' budgets for recurrent spending which—including all new economies ordered since the July announcements — amount to £20m. next year and £57m. in the 1978-79.

Further contributions will come from the deferral of arrangements under the new Education Act which would have encouraged extra spending on school milk, and trimmings of up to 1 per cent. in the all budgets of most sectors of education service, including scientific research and the [illegible]

Capital spending on educational buildings is to be pruned as part of the moratorium on public buildings [illegible] Taken together, the measures announced in July and yesterday will cut about £100m. from the previously budgeted £4[illegible] for 1976-78. The remaining [illegible] should still provide some leeway over and above the cost of meeting basic needs of [illegible]

Michael Di[xon]

Leyland to split truck and bus group

ly Stuart Alexander

RITISH LEYLAND is to split s truck and bus group into ur separate divisions from nuary 1.

Each is expected to be self-pporting and will have its vn management structure, it all will report to a parately - appointed main oard.

The four divisions will be edium and light vehicles, avy vehicles, passenger hicles and parts.

Tractors and power systems ill come under medium and ght, and Scammell and rvice depots will be managed the heavy division.

Each division will be sponsible for its own profit-ility and will be controlled a general manager who will port directly to the group anaging director, Mr. D. H. itcher.

The move has been made cause of the widely different oducts made by each division id is designed to make model evelopment and rationalisa-on easier by being considered their own rather than a ider context.

ngineering

Functions within each of e four divisions will include rsonnel, finance, administra-on and systems, sales and arketing.

Additionally, the three hicle divisions will super-se quality control, manufac-iring, product engineering id service.

A separate engineering rvices division will also be ailable on a group basis for ich things as testing and esearch.

The parts division will also ontrol buying, supply and arehousing.

On the main Board, to which ome appointments have yet to e made, five group directors vill be responsible for market-ng, planning, finance and ystems, quality and personnel.

Additionally, there will be n executive director who will ook after strategy and major policy and will act as deputy to the managing director.

Leyland is expected to announce the full list of appointments in the near future.

Equity bank to name top executives soon

BY MARGARET REID

A MERCHANT BANKER and a City accountant are among three senior executive appointments to be announced soon at the equity bank, Equity Capital for Industry, which will soon move into its own premises in the City to begin full operations in the New Year.

Mr. David Cole, of J. Henry Schroder Wagg, the merchant bank, is to become the finance specialist and Mr. Brian Dean, a chartered accountant now with Coopers and Lybrand, will be secretary of the bank, a post hitherto held temporarily by Mr. David Lomax of the Bank of England.

They will be joined by one other senior executive to handle the industrial side, bringing to four the full-time team which will be led by Mr. Alan Barrett, the solicitor and deputy chairman of ICI's plastics division, who has been appointed chief executive.

The bank, created last year after some controversy with £41m. of capital put up by institutions to invest in companies which may not be able readily to raise capital on the market, will operate from Leith House, Gresham Street.

Mr. Barrett will devote most of his time to the new venture from January and will be completely full-time from February 1.

The bank, since it was formally set up in the summer under the chairmanship of Lord Plowden, who formerly headed Tube Investments, has received several investment inquiries, on which preparatory work has been largely carried out by Hill Samuel, the merchant bank.

So far only about 15 cases have come before the 12-man Board of industrialists and financial specialists, which has net yet decided on some of them. Only one investment has been undertaken.

Loan capital

This was participation with Prudential Assurance, other institutions and Finance for Industry, in the arrangements for underwriting a £3m. issue of convertible preference capital for Dunford and Elliott, which has also received a bid from Johnson and Firth Brown. The bank had been unwilling by itself to put up the whole £3m.

Some investment propositions coming to the bank are referred from merchant banks. In addition, the Bank of England, whose network of regional branches is closely in touch with industry, may on occasion put a company with a need for investment in touch with the equity bank.

The inquiry which the Bank of England is sponsoring into the clothing industry and its financial and other needs could lead to cases of companies requiring new investment being brought to the equity bank's notice. It is being conducted by Mr. Pat Koppel, former deputy chairman of Courtaulds.

It appears that the equity bank is likely to make its investments only against holdings of shares or capital convertible into shares. It will act sometimes alone, or in association with the bank-backed Finance for Industry, which could advance loan capital, and sometimes in association with others, through a package, as in the Dunford case.

Few names of companies which have been in touch with the bank are known. It is understood, however, that Chamberlain Phipps, a Northamptonshire manufacturer of components for the shoe, clothing and other industries, has held discussions with it about possible provision of capital in connection with its future plans and, particularly, an export project.

The talks have been deferred but could be revived later.

Chamberlain Phipps, whose turnover in 1975-76 was £35m., saw its pre-tax profits in that year dip to £693,000 from £1.3m. the previous year. There was marked recovery in April-September this year to £835,000 however, compared with £227,000 a year earlier.

New chief at Office of Fair Trading

By Our Consumer Affairs Correspondent

MR. NEIL BURTON is to take over as director of the restrictive trade practices division of the Office of Fair Trading. He will succeed Mr. Philip Harris, who is retiring after 10 years of work on restrictive practices.

The appointment comes at a time when the restrictive practice legislation is being extended to cover inter-company agreements in the service field for the first time.

Mr. Burton, who joined the Office of Fair Trading from the Price Commission last year, will report to the director-general of Fair Trading and will be responsible for the whole area of restrictive practices.

Among his first jobs will be sifting through the 400 or so agreements which have been submitted to the office as possibly coming within the scope of the law.

So far, about 110 agreements in the service field have been put on the register.

Mr. Burton, who is 46, joined the Civil Service in 1951 as an assistant principal at the Ministry of Supply.

Worst month for building societies since 1974

BY MICHAEL CASSELL, BUILDING CORRESPONDENT

THE INCREASE in consumer spending in advance of yesterday's mini-budget helped to make last month the worst for building society receipts since the beginning of 1974.

Figures released yesterday by the Building Societies Association confirmed that the movement is experiencing its most difficult period for three years.

At the start of this year, societies had net receipts nudging £400m., but last month the figure slumped to only £23m.

The Association believes that about £50m. of November withdrawals can be attributed to spending in advance of yesterday's economic package.

This month is likely to show an overall net outflow of funds. The Association's Council is due to meet in January to decide whether building society interest rates, which rose to record levels in November, should be increased again.

Much will depend on the effect of the Chancellor's measures on interest rates generally. Opinion within the movement seems equally divided between those who feel that higher rates are

1976	Net receipts £m.	Net advances £m.
Jun.	131	553
Jul.	184	597
Aug.	183	555
Sept.	160	534
Oct.	142	515
Nov.	23	532

essential and those who believe more increases will cause severe financial hardship to existing borrowers.

The Societies continued, last month, to attract large amounts of savings despite their poor competitive position. Receipts amounted to £835m., a figure which compares well with other monthly performances this year, but at the same time withdrawals rose to £812m. Existing borrowers paid £239m. off their mortgage debts and this became available for re-lending.

The societies lent £532m. to house buyers, an increase of £17m. over the previous month. The peak figure for monthly advances was £597m. in July.

Lending last month reflected the societies' determination to meet their £6bn. advance figure for 1967 as a whole, despite their recent failure to attract funds.

The volume of advances can be expected to fall substantially from next month onward.

Last month, a further £463m. was promised to mortgage applicants, the lowest monthly total since the beginning of the year and an indication of the likely trend of advances next year.

At the end of the month, societies were committed to lend £1.21bn.

Commenting on the November figures, Mr. Norman Griggs, secretary general of the Association, said: "It remains to be seen how the present, high interest rates offered by competitive institutions will be affected by the Government's package.

An interesting feature is the continuing high level of money lent to home buyers during November, and also the money promised to them.

"This was made possible by societies drawing on the substantial funds they had put aside when money was plentiful."

Construction industry output down 4% in July-September

BY MICHAEL CASSELL, BUILDING CORRESPONDENT

THE CONSTRUCTION industry's output in the three months to the end of September was 4 per cent. down in real terms on the previous quarter and 6 per cent. below the level of a year earlier.

Provisional figures issued yesterday by the Department of the Environment show that the current price value of construction work carried out by contractors between July and the end of September stood at £3.27bn. against £3.17bn. in the previous quarter.

In constant price terms, however, the industry's output showed a continuing fall, which is expected to extend throughout 1977, particularly in the wake of yesterday's measures

At constant prices, new work output in the public housing sector during the third quarter was 6 per cent. down on the second quarter of this year and 3 per cent. below the same period of last year.

Maintenance

New private housing output, on the same basis, was 12 per cent. down on the preceding three months and 5 per cent. lower than in the third quarter of last year.

According to the Department, construction output in the public, non-housing sector was down by 1 per cent. from the previous three months period and 7 per cent. lower than in July-September last year.

Private industrial output was down 6 per cent. from the levels achieved in April-June and 12 per cent. lower than a year earlier.

Private commercial building output was also down, by 1 per cent. from the preceding three months and by 19 per cent. from the same period of last year.

The Department calculates that repair and maintenance work carried out by the construction industry was, during the third quarter, 4 per cent. down on the previous three months and 5 per cent. below the output level achieved in July-September of last year.

Prospects of bread price war recede

BY ELINOR GOODMAN, CONSUMER AFFAIRS CORRESPONDENT

THE POSSIBILITY of a bread price war receded yesterday when the major union in the industry said it would not handle any bread sold at a discount larger than the present 22.5 per cent. maximum. A second of the major baking groups has told its customers that it would not increase its discounts in spite of the Department of Prices' decision to abolish the present statutory limit from January 4.

The Bakers' Union said its executive had agred to call its members out for one week at any factory belonging to the major bakers selling bread at a discount of more than 22.5 per cent. Workers at independent bakeries giving discounts of more than 22.5 per cent. would be called out for two weeks.

The union decision follows an announcement from the van drivers union that they would not deliver bread being sold at a cut price.

In some ways the baking industry managements welcome union support for a clamp on discounts. They fear that if a price war was to break out, it would be self-defeating and possibly hit employment.

But while the Bakers' Union has set a limit of 22.5 per cent. on the discounts it will approve, the two big baking companies have said that they will be prepared to negotiate slightly better terms for special promotions while keeping to the 22.5 per cent. maximum as the general rule.

Yesterday Spillers-French followed the precedent set by Associated British Foods on Tuesday and told its major supermarket customers that its top rate of discount would remain at 22.5 per cent. Only when a retailer was prepared to run a special promotion would Spillers give slightly better terms — similar to those announced by ABF.

Courtaulds plant not to close

BY RHYS DAVID, TEXTILES CORRESPONDENT

COURTAULDS has reprieved its Aintree warp-knitting plant at Liverpool, after acceptance by a large majority of the labour force of the company's request for co-operation in achieving higher levels of productivity.

The company announced six weeks ago that the plant, which employs around 600 people including staff, would have to close unless more efficiency could be achieved.

The proposed closure of seven other plants employing a total of more than 3,000 people was announced at the same time.

Discussions have been taking place with the unions at Aintree, who were asked to put management proposals for higher productivity to their members. But union soundings all indicated reluctance to accept the proposals.

The acceptance of the latest request follows interviews conducted among manual workers by the company, which made it clear that the closure would take place unless the improvements being sought could be implemented.

Workers were presented with three options—continued employment subject to higher output, transfer to other jobs where available elsewhere in the company's Aintree complex, or voluntary redundency.

A total of 277 employees or roughly two-thirds of the non-craft workers chose the first option, 127 asked for redundancy, and 22 for jobs elsewhere. Discussions on the company's proposals will now take place with craft workers.

Courtaulds said yesterday it would now be applying for the Government's Temporary Employment Subsidy towards the cost of keeping the plant open. It hoped to be able to maintain employment for all those who had agreed to co-operate in improving efficiency.

The improved efficiency which the company has been seeking from workers is understood to involve elimination of a variety of restrictive practices.

Premium bond sales booming

Financial Times Reporter

THERE WAS a boom in sales of premium bonds in October. Purchases for the five-week period are estimated at £17.7m., the highest total since April, 1971, when the maximum holding was increased to £2,000. The boom resulted in the best net gain—£9.6m.—since March, 1973.

But repayments of British Savings Bonds to investors of £6.4m. led to a net loss of £3.2m.

Overall national savings figures for the period made a gain, including net accrued interest, of £91.3m., the highest increase since March.

Total national savings receipts for the period are estimated at £715.2m., including interest, against repayments of £623.9m.

Retirement

Trustee Savings Banks' overall net gain of £30.1m. was the best result for seven months. Deposits of £447.7m. in ordinary departments exceeded withdrawals of £422.2m. by £25.5m. There was a net gain in special investments of £4.6m., with deposits of £90.6m.

National Savings bank ordinary accounts, however, showed a net loss, with deposits at £56.6m. against withdrawals of £58.1m. Investment accounts showed a small net gain of £0.5m.

Receipts from national savings certificates of £43.5m. included £19.1m. of the retirement issue. Repayments of all issues of £31.1m. resulted in a net gain of £12.4m.

Save As You Earn contributions for all issues amounted to £7.3m., a net gain of £5.3m. Third issue (index-linked) contributions amounted to £5.2m., bringing the total principal remaining invested in this issue to £58.7m. (£285m. in all issues).

Demand for joint approach to steel problems

BY ROY HODSON

THE state-owned and private sectors of the steel industry should make a joint approach towards major matters, Sir Charles Villiers, chairman of the British Steel Corporation, said at the annual lunch of the British Independent Steel Producers' Association yesterday.

He was applauded by the private sector steelmakers when he called for "a dialogue on a well structured basis" between the two sectors.

Sir Charles made the specific proposal that Mr. Bob Scholey, deputy chairman of the corporation, should lead a corporation team of four or five to continue discussions with a team from the independents led by Mr. Alec Mortimer, their director-general.

He said: "There should be no subject too holy to discuss together. They would include scrap prices, development plans, delivery dates, quality and the price of steel itself. That way we should understand each other much better."

Sir Charles said it was "a terrible thing" that the corporation made only 17m. tons of liquid steel last year, compared with 27m. tons ten years ago. Management could now see what the corporation had to do to be a successful British industry once again. One of those things was to live contentedly, helpfully, and interdependently with the independent steel producers.

He appealed to those who had political responsibility for steel to leave the corporation and the private sector to police their own frontiers and to develop in a co-operative and independent way.

British Steel was now entering a period where it could make more steel than it could sell. New capacity was being commissioned quite fast.

"We are having a tough time. We certainly do not meet to-day in ideal market conditions."

A very serious situation in the steel industry of continental Europe had developed, Sir Charles went on. The lack of demand being experienced there could hit Britain as well. Yet there was reason to expect an upturn in demand during 1977.

A forecast that 1977 would be a year of recovery for the private sector steel industry of Britain was made by Mr. P. G. Edwards, president of the association. Recovery would be slow at first but there could be an overall upturn in the second half. It was hoped that the higher level of demand would continue throughout 1978.

Fares cut on Jetsave Atlantic flights

3y Michael Donne, Aerospace Correspondent

TSAVE, the low-cost advanced oking charter airline across North Atlantic, has reduced fares for next year, to match se offered by other operators, luding British Airways.

he new rates range from to £172 for London-New rk or Toronto return, accord- to season; £189 to £262 ndon-Los Angeles; and £169 to 0 London-Vancouver.

Ir. Reg Pycroft, managing ector, said yesterday that ile the rates matched "any vance booking charter pro-mme in the market place," save "would not enter into esponsible price competition ich might compromise our h standards of service and ilthy profitability."

etsave can equal its rivals on es because of the extensive planned next year of wide-lied DC-10 and 747 airliners.

Vith operations planned from ht U.K. airports and to 19 tinations in North America, Pycroft is confident that it ill maintain its edge in 1977 l achieve financial and sales gets."

Bigger market share for British TV sets

BY MAX WILKINSON, INDUSTRIAL STAFF

DELIVERIES OF colour televisions in the U.K. totalled 162,000 in October, a 5 per cent. increase on the figure for October last year. The figures, from the British Radio Equipment Manufacturers' Association, show that the proportion of imports has been reduced significantly, with U.K.-made deliveries up by 11.5 per cent.

The year's sale of colour sets is now expected to exceed the previous estimates of 1.6m. sets by up to 100,000.

A big stimulus to demand last month was the rumour spread by some retailers that the VAT rate would increase in the mini-Budget.

The comparison with last year must be treated with caution, because the increase in VAT to 25 per cent. in 1975 made a very unusual sales year. The increase concentrated sales into the early part of the year and led to very slack trading in the late summer and autumn.

The association figures show that U.K.-made deliveries of colour sets reached 135,000 in October—83 per cent. of the market.

Deliveries of U.K.-made monochrome sets, however, were only 43,000—4 per cent. down on last year—and represented 45 per cent. of the total market.

Deliveries of U.K.-made radio sets were 23,000, only 6 per cent. of the total market.

Norcros staff pension fund has £1m. deficit

By Kevin Done, Industrial Staff

THE NORCROS Group, an industrial holding company with more than 11,000 employees, is explaining this week to about 10 per cent. of its workforce how their pension fund has suffered a £1m. deficit.

About 140 employees at the group's subsidiary Adamson Butterley in Ripley will be told the reasons for the deficit and its implications by Mr. W. K. Roberts, the operations director for the engineering division of the group.

Mr. Gordon Tozer, Norcros personnel director, refused last night to discuss any details of the pension fund deficit until after the series of eight exploratory meetings had been held around the country.

The deficit problems appear to date back to the Norcros acquisition in 1974 of the Crittall companies from Slater Walker. Parts of Adamson Butterley were formerly part of Crittall until Norcros caried out a major reorganisation of its various subsidiaries.

Radioactive gas found on beach

By John Hunt

TRACES of tritium, a radio-active gas, have been found on the beach at Windscale, Mr. Anthony Wedgwood Benn Energy Secretary, announced in a written Commons answer last night.

It is thought that the material, which is a by-product of re-processing nuclear waste, could have come from the silo where a seepage of radioactive water was discovered recently.

This latest incident will come as a further embarrassment to British Nuclear Fuels at a time when it is seeking to extend the plant for the reprocessing of nuclear waste at Windscale to deal with material from abroad, including Japan.

It follows the controversy over the leak from the silo which was not made public until several months after it had occurred. Mr. Benn has now asked that all incidents should be reported to him immediately.

In his written answer, he said that the nuclear installations inspectorate told him on Tuesday that over the last year routine monitoring at Windscale had revealed detectable levels of tritium on the beach.

Investigations by British Nuclear Fuels in consultation with the Environment Department and the Nuclear Installations Inspectorate had not yet established the source of the tritium. But they could not rule out that it may have come from the silo, which was the possible source of the recent seepage of radioactive water.

Mr. Benn said: "I am advised that the tritium level on the beach is well below that permissible in drinking water and constitutes no hazard to employees or the general public."

He promised to report to the Commons when the source was found.

Allowances continue for children abroad

BY ERIC SHORT

PARENTS of children living outside the U.K. will be able to claim child allowances for the year 1977-78 at present levels when the changeover to child benefits comes into operation, Mr. Joel Barnett, Chief Secretary to the Treasury, told the Commons in a written answer.

The child benefit scheme, due to start from April, combines the present family allowance payments with child tax allowances. The statement from the Government clarifies the position where children are not living in the U.K. and do not qualify for family allowance payments.

During the tax year 1977-78 parents will still be able to claim tax allowances as at present—£300 for a child born on or after April 7, 1966, £335 if born on or after April 7, 1961 but before April 7, 1966; and £365 if born before April 7, 1961.

But this will not apply for taxpayers entitled to claim child benefit, if they are either stationed abroad as a member of the Services or the Civil Service or if the child normally lives in a country with which there are reciprocal social security arrangements and there is entitlement to a comparable benefit abroad.

Mr. Barnett said that because the Inland Revenue could not identity these people it was reducing the allowances in the normal way, as if child benefit could be obtained, and inviting people who thought they had a claim to apply for the allowance.

Longer term arrangements after 1977-78 for children living abroad would be the subject of a later statement.

Nuclear finance

By Graham Hatton

A CONSORTIUM of French banks, led by Credit Lyonnais and Banque de l'Indochine et de Suez, has concluded an export credit agreement with South Africa's Electricity Supply Commission to finance the Koeberg nuclear power station, it was learnt here to-day. The credit is believed to be worth between R600m. and R800m.

Another credit, to pay for nuclear fuels supplied by Framatome, is currently being negotiated. Framatome will obtain the enriched uranium from the United States.

Meanwhile, the head of South Africa's own uranium enrichment corporation, Dr. A. J. A. Roux, disclosed to-day that the corporation was far advanced with the engineering of prototype modules for a large-scale enrichment plant.

Plan for Fife plant draws more protests

Conservationists have joined protesters against the Shell/Esso proposal to set up a big petro-chemical plant at Mossmorron in Fife. They said yesterday that it would make Fife "a dumping ground" for one of the dirtiest industries of the industrial world, and ruin tourism in the area of Aberdour, where a jetty for tankers is planned.

et hangar or British Caledonian

y Our Aerospace Correspondent

ITISH CALEDONIAN, the in-endent airline, is planning a £5½m. hangar at its Gatwick port base to house the two Donnell Douglas DC-10 wide-lied jets due for delivery in spring. The cost of the two is about £40m., including res, and the airline has taken option on two more DC-10s.

Plans for the hangar have n approved by the British ports Authority and the Civil iation Authority, and are ng considered by local plan-g authorities. It is hoped rk can start on the site at tish Caledonian's base early the New Year. It will take out three years.

Meanwhile, a tail-dock is being ilt on to the Boeing 707 jet nger to allow it to be used for -10 maintenance.

British Caledonian says that h the new hangar, suitable indations for an office build-development will be laid. t this will not go ahead for ne time. The airline seeks a ilding site near Gatwick for new headquarters building.

Management's 'vital role'

BRITAIN would win the battle for national recovery, but she would need every scrap of initiative, imagination, enterprise and skill she could muster, Mr. Gordon Oakes, Minister of State for Education, said yesterday.

Opening a management education and training conference in London sponsored by the Government he said it would be a long, hard march, but if we did not try, "we might as well kiss to-morrow goodbye."

While curbing public expenditure had to take priority, one of the most crucial elements in releasing the nation's creative potential was proper management.

Many shortcomings could be traced to inadequate management, so Britain had to look again at the process by which managers were produced and trained.

Dublin on STD

TELEPHONE users in four more cities—Birmingham, Manchester, Liverpool and Glasgow—will now be able to dial the Dublin area direct using STD.

£323,200 for job schemes

THE MERSEYSIDE action committee of the Manpower Services Commission has approved another 11 job creation schemes with grants totalling £323,200. They will provide 165 temporary post mainly for unemployed people under 24 but including some for people over 50.

It brings the total number of schemes approved on Merseyside so far to 461 offering 6,433 jobs at a total cost of £11.5m.

Early start on factories

THE ENGLISH Industrial Estates Corporation is to start next month on constructing four Advance Factories for the Department of Industry at Grimsby. Seven terrace units will give a total of 40,000 square feet.

The Bakers' Federation repeated its view that if the average level of discount rose the basic price must rise too, on top of the 4p increase forecast for next year on the basis of an expected cut in the subsidy and higher costs.

OBITUARY

Brentford Nylons chief dies

MR. KAYE METREBIAN, founder of the Brentford Nylons household textile manufacturing and retailing group, died in a London hospital yesterday aged 52.

Mr. Metrebian, an Armenian who came to Britain from Cyprus, started Brentford Nylons in 1959 with a capital of £75 and, with a heavily advertised mail order campaign, established it as one of the leading suppliers of sheets, pillowcases, and other bedding in the U.K.

The company had a turnover of £24m. in 1974 and at its peak reached total profits of about £1m.

Mr. Metrebian was taken seriously ill last year with a stroke at a time when the company was building up production at a big new plant in the North of England and problems associated with the venture eventually led to the company being placed in the hands of the receiver and then sold to the Lonrho group.

Mr. Metrebian, who remained in poor health, had been intending to start another company, but more recently had put his Kensington home on the market for £1.6m. and had been planning a return to Cyprus.

Tesco builds superstore at Redditch

TESCO will open an 80,000 square feet "superstore" in the Kingfisher Shopping Centre, Redditch New Town, Worcs., in 1979. It will probably be the company's fifth largest store, and unlike some of Tesco's larger shops will be in an existing shopping centre.

The Redditch shopping centre already has 83 shopping units in 410,000 square feet of commercial floor space. Included in it are a nightclub, an ecumenical centre and an exhibition area.

The Tesco store is part of the third phase of the centre's development, which includes building of 73 more shop units, two department stores and housing.

BR chief calls fare cuts fools' gold

THE IDEA of cutting commuter rail fares is "an armchair philosophy which will never provide anything other than fools' gold," Mr. Peter Haydon, chief passenger manager of Southern Region, said yesterday.

His warning came just over two weeks before commuter fares rise by 16 per cent. and others by 12 per cent.

THE JOBS COLUMN

Accountant dismayed · The case for graduates

BY MICHAEL DIXON, DAVID LOGDON, AND NEIL SCOTT

THE OTHER day David Logdon, senior partner of the accountants Meredith Whittome Logdon, found himself thinking hard about career prospects in his profession. The reason was that he had to reply to a letter seeking careers advice, sent to him by a 33-year-old Cambridge science graduate who after a variety of jobs in industry and commerce, had decided to train as an accountant.

Mr. Logdon, who feels that accountancy offers probably the best career prospects in private enterprise, replied as truthfully *and objectively as he could* . . . and as a result thoroughly dismayed himself. So much so that he thinks the matter requires public attention, and I agree. Here, therefore, is what David Logdon wrote:

"I would strongly urge you to seek a post in the public sector, and try for selection as a tax inspector as your first *choice. Your salary would then* be comparable with those of practising accountants, but you would not have the benefit of a firm's car.

"However, superb offices (many air-conditioned), short hours, long holidays and the best pension scheme in the world are open to tax inspectors as civil servants. Additionally, *their training schemes* and facilities are second to none. No commercial organisation can ever hope to justify the sort of generosity offered from the public purse. After a career as a tax inspector, retiring at 60 or earlier by choice *if you were to drop out of the promotion fast stream, your services would be eagerly sought by outside firms.*

"In the outside world, where we have to *cost-justify our existence, trainees are an expensive luxury which a contracting* industrial and commercial client base cannot support unless these are employed as a sort of cheap labour.

"If you are not able to succeed in the competitive entry to the Civil Service, and cannot get into local authorities or nationalised industries, you should aim at a "Top 10" firm of accountants. You probably have no chance in London unless you can *compete with 21-year-olds with* law degrees and professional qualifications obtained in their spare time. The soft option is to get in via one of their provincial offices in places like Bradford or Workington. These big firms have public sector audit work (or bankruptcy specialisation) *and are thus best placed to survive at the standards we have come to accept.*

"*In short*, the bulk of the accountancy profession is caught between an aggressive bureaucracy, spiteful legislature and declining public image on the one hand, and increasingly sickly, unstable and declining clients on the other. *Thus a bright young man should look elsewhere."*

Dons' pride

NEXT the Jobs Column returns to the universities' performance *in the 1975 employment market,* as reported and tabulated here last week. Judged by readers' response, much interest has been provoked by the table which showed that the percentages of the individual institutions' new graduates known to have taken more than temporary work *in the United* Kingdom ranged from 67 per cent. down to *only 22,* and that the percentages whose later movements were "unknown" to their Alma Mater varied from less than 2 per cent. to nearly 30.

The general tenor of the response so far is that the figures are definitely a cause for public concern. Some university dons, says one correspondent, *seem to take a* positive pride in declaring that they have no idea what happens to a lot of their students once they leave.

But Neil Scott, head of the careers advisory service at Nottingham University, protests that the graduate-employment results are not as clear-cut as my table made them appear. And he has written the following article to explain why.

THE SUSPICION has been voiced that a high percentage of graduates recorded in the statistics as "destination unknown," means a lack of concern by the institution about the fate of its students. However, there is every possibility that in practice it may, indeed, indicate the reverse.

When university careers and appointments services collect *the information on graduates'* movements it comes, in most cases, directly from the individual concerned who agrees to its being passed on to the Universities Statistical Record, where it is included in a named *personal file. But some news of* what has happened to graduates comes from other sources, such as academic departments, employers, family and friends, and how to treat this "indirect" information is a problem.

Some universities take the view that reliable indirect information should be included in the return to the Universities Statistical Record, which forms the basis of the statistics published in the Jobs Column last week. But others believe that it is unethical to transmit any personal material to an external record without the express consent of the person concerned.

Nottingham is one which stands by the confidentiality principle, and so appeared in the table with 19.6 per cent. "unknowns." *But our own domestic* report, to which the constraint *does not apply, shows a figure of only 9 per cent.* A number of other universities adopt a similar canon . . . which might be thought to be an argument in favour of their care and diligence.

Where the proportion of the graduates known to have taken up long-term jobs in the U.K. is concerned, last week's table gave an overall figure of 41 per cent. To the lay observer this may *seem surprisingly low.* But as director of a university careers service, I do not think it can be true that only two out of every five U.K. graduates actually add their labour to the national effort.

This country's normal, three-year degree course—the shortest in the world—does not purport to give an adequate vocational *preparation. It rather provides* a foundation on which a variety of different career structures might be built.

The consequence is that virtually all the graduates need further specific training for subsequent *occupations,* and where they receive this training *is often due to historical* accident. In some cases—for example, accountancy and engineering—the training is given in an employing concern. These cases were included among the "percentage known to have long-term jobs in the U.K." on which last week's league table was based. But the ranking left out of account the other cases—for example, teaching, social work and academic research—where the *further* training is provided within the university.

In the case of the four-year "sandwich" course, the training *is incorporated in the* programme before the students graduate. It is no surprise that the nine technological universities (Aston, Bath, Bradford, Brunel, City, Loughborough, Salford, Surrey, University of Wales Institute of Science and Technology) which have a considerable *element of sandwich* courses should achieve high places in Dixon's ranking, which is largely only an indication of the nature of graduates' further training needs.

If the table were reconstructed to take account of these factors, and of those graduates who went overseas and so were not available to the U.K. employment market, the picture would be very different and, *perhaps, less disturbing.*

The overall proportion proceeding straight into career employment would be seen as 65 per cent., not 41. *If allowance* were made in respect of the "unknowns" problem I mentioned earlier, the figure might [illegible] 70 per cent.

But to take issue with the *Jobs Column about its treatment* of the statistics, is not to say that it does wrong to pay serious attention to them. On the contrary, what is astonishing—and depressing—is that so little public attention is paid to what must be some of the most revealing and significant indicators of *our national situation. As our* higher educational network extends, it is important that the movement of its graduates into an ever more complex world of work be accurately charted and used as a guide to educational and employment policies.

Doubled

That 11 per cent. of new university graduates are, six months later, still either seeking work *or in temporary jobs,* is an important statistic, particularly as it has doubled over the past few years. Could this be due to insufficient career preparation in schools? Are enough resources devoted to careers education? Even the universities, the best endowed institutions where careers services are concerned, spend less than 1p in the pound of their annual revenue on this aspect of education.

The statistics have also provided evidence, neglected until recently, of other crucial trends. They include:

A decline in the proportion of graduates entering manufacturing industry from 14 per cent. to only 8.

A rise in the proportion entering government service from 7 per cent. to 14.

A *decline in the proportion of* mathematics and science graduates entering school-teaching from 15 per cent. to 11.

Even though, as I have said, the statistical material is not in itself complete, can it be doubted that the evidence it provides of trends such as these *is significant beyond purely edu*cational circles?

So whatever may be the viewpoint of different individual commentators, it is clear that the statistics merit close and continuous scrutiny. In my view the Jobs Column is to be congratulated for discerning this and for provoking discussion on the topic, especially if it were to induce the University Grants Committee to publish the statistics earlier than almost a year in arrear.

ACCOUNTANCY APPOINTMENTS

هكذا من الأصل

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Re-organisation has resulted in a vacancy occurring for a young executive to join the European Treasury Department of Avis Rent a Car based at Bracknell, Berks.

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The appointment calls for a working knowledge of the money markets and a general understanding of corporate finance. Ideally candidates should be qualified accountants who have experience in banking or the treasury department of a large company. A European background and languages would be particularly useful. Terms and conditions for this appointment are attractive and include a Company Car.

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• In addition to the salary quoted, free furnished accommodation will be provided together with the usual fringe benefits.

Please write in confidence to M. P. F. Blakiston, Director, Executive Resources International, U.K. Office: 13 Duke Street, St. James's, London, SW1Y 6DB, quoting reference HA/SA/2.

GENERAL APPOINTMENTS

Project Accountants

Overseas

We are one of the United Kingdom's major international building and civil engineering contractors. As a result of our continued expansion throughout the world we now wish to hear from qualified accountants who feel they have the necessary drive and experience to join us and take full financial control of multi-million pound construction projects overseas.

Whilst all applicants for these positions should be capable of commanding five figure salaries, preference may be given to candidates with overseas experience. The successful candidates will be responsible to the Deputy Managing Director (Administration) and in addition to [illegible] other benefits they will receive a company car, free furnished married accommodation, generous paid home leave, and ample scope for advancement.

Please apply, giving brief details of age and experience to David Long:

CEMENTATION INTERNATIONAL LIMITED

South Lodge, [illegible] Knightsbridge, London, [illegible]

Fulton Packshaw Limited

STERLING DEALERS

Fulton Packshaw Limited, wholly owned subsidiary of Charles Fulton & Company Ltd. have vacancies for experienced and trainee Brokers in:

1. Local Authority Department. London and Glasgow Offices.
2. Commercial Department.
3. Interbank Department.

Applicants should write or phone:
Hugh Davies, Managing Director
Fulton Packshaw Limited
34-40 Ludgate Hill, London EC4
01-248 3242

FULTON PACKSHAW LTD

Commodities

Our client is a well-known American firm of Commodity Brokers. They are currently carrying out an expansion programme and, due to internal restructuring, wish to recruit an additional

Account Executive

The position will be demanding but rewarding—earning potential is unlimited. As part of a small, new and highly motivated team you would be expected to increase existing and attract new business by working in close liaison with experienced, specialist traders and with full back-up facilities.

The successful applicant will probably be 25-35 but will undoubtedly have a proven track record in sales. Whilst commodity experience is not the prime criteria a good appreciation of the markets is essential.

Please contact F. J. Stephens *Ref. 67*

Stephens Selection
Recruitment Consultants
35 Dover Street, London W1X 3RA
01-493 0617

MEAT MARKETING CHIEF EXECUTIVE

LONDON APPOINTMENT

Associated New Zealand Farmers Limited is a meat marketing company formed with an equal shareholding by the three major New Zealand farmer owned freezing companies —Auckland Farmers' Freezing Co-operative Ltd., Hawkes Bay Farmers Meat Co. Ltd. and Alliance Freezing Co. (Southland) Ltd.

The company now holds a majority interest in Associated New Zealand Farmers (U.K.) Ltd., which owns two well known meat companies—Michie & White Ltd. and Fred Curzon & Son Ltd., including a Smithfield stall.

The appointee will probably be a marketing person with considerable, proven administrative experience.

This is a highly responsible position and the successful applicant will be a skilled negotiator, have a proven initiative and be capable of interpreting and carrying out marketing strategy and company policy.

Ability to quickly interpret and report on all aspects relating to the meat trade, such as market trends, political decisions and so on, is a vital part of this position.

Experience in the meat industry would be an advantage but it is acknowledged that suitable applicants could well come from other business sectors.

The age group preferred would be 35-45 years.

Salary and all benefits will be commensurate with the demands made by this important position.

Applications giving a full account of business experience and qualifications, present position, responsibilities, copies of references, plus details of age, marital status, personal interests should be sent to:—

"Meat Executive"
C/o J. C. Belcher, Box 6042, Auckland, New Zealand.

All applications will be acknowledged and treated in strictest confidence.

FINANCIAL PRINTING SALES EXECUTIVES

The Oyez Press Limited is the Printing Subsidiary of the successful Solicitors' Law Stationery Society Ltd.

We are well established and expanding in City and Financial Printing, specialising in corporate finance documents and report and accounts. Our factory is situated just South of Tower Bridge. The premises are modern providing excellent working conditions and parking facilities.

We need three Sales Executives, responsible to the City and Financial Sales Manager, to join a professional team to sell our fast reliable service. An exceptional candidate may be given the opportunity to head a section.

Experience in City and Financial Printing would be ideal, but other suitable applicants will be considered provided they possess personal qualities of energy, enthusiasm, intelligence and resilience.

We offer good basic salaries, commission, expenses, 4 weeks holiday, company car, pension scheme and free life assurance.

Write briefly, one page only, in confidence to:

oyez

Richard Martin,
Sales Director,
Oyez Press Limited,
27 Crimscott Street,
London SE1.

A subsidiary of The Solicitors' Law Stationery Society Ltd.

City Market

CREDIT ANALYST
£4000-£4500
minimum of 2 years experience for international loans department.

INVESTMENT MANAGER
£5000-£6000
with good analytical and all-round experience to join small trust company.

LOANS EXECUTIVE
£4000-£5000
must have knowledge of Mid East & Africa for major bank.

COMMODITY BROKER
£ high potential with proven track record for well-known expanding American firm.
Telephone 01-493 0617
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C&L

CANADA

Opportunities in Receiverships-Toronto

We currently require experienced staff to join the receivership department in our Toronto office.

The Receivership Partner will be visiting our London office on January 17th, 18th and 19th to interview selected candidates who will be qualified chartered accountants with [illegible] experience in this specialised field. Consideration will also be given to recently qualified chartered accountants with some experience in industry or in [illegible] investigations.

This is a rare and outstanding opportunity to broaden both your professional and personal horizons.

Please write, with brief details of your career to date, to:

[illegible],
Coopers & Lybrand,
Abacus House,
Gutter Lane,
London, EC2V 8AH.

BANK EXECUTIVES

International bank is seeking senior banking executives to assist with the setting-up of its Edinburgh branch and the subsequent development of its business in Scotland. Applications from those with extensive international banking experience should be forwarded to Mr. N. A. M. Mackay, Box 264, Biggart Baillie and Gifford, 3 Glenfinlas Street, Edinburgh EH3 6YY.

GENERAL APPOINTMENTS also appear to-day on the following page

PROJECT ASSISTANT

Required by C.E.C.I., a Paris-based centre for co-operation between developing countries and European companies.

This new post involves mainly analysis and progressing of projects submitted by member countries.

Candidates should have experience of the economic and financial aspects of development and should be bilingual in English and French

Salary of French francs 84,000 per year plus.

Write Box A.5790, Financial Times, 10, Cannon Street, EC4P 4BY.

The Technical Page

EDITED BY ARTHUR BENNETT AND TED SCHOETERS

● **PROCESSING**

Speeds the important reactions

LIQUID/GAS chemical process accelerators have been developed by the Bertin company of France for a number of applications. These include gas cleaning, stripping of gases in solutions, oxidation of liquids etc., or any process in which liquid/gas contacts have to be raised to the maximum possible.

The Bertin process is based on accelerated flow of liquid over a thin layer formed by a plate in which there are a large number of perforations for the passage of process gases.

The result of the design is a very considerable increase in the area of contact between the reacting gases and liquids and therefore a corresponding increase in the rate of interesting reactions with better treatment coefficients, a reduction in the risk of sediment blockage in the reaction areas and a technology that can easily be extrapolated to bigger throughputs and/or different processes.

Bertin is at BP No. 3, 78370 Plaisir, France.

Plastics welding

INCORPORATING BOTH hot-plate and friction welding stations, a new version of Bielomatik's six-station turntable plastics welding machine has been developed.

The machine can carry out two hot-plate welds, two friction welds, or one of each kind, and is said to be suitable for the assembly of complex injection-moulded or other plastics parts.

At the first installation, the machine is being used to weld two components to an injection moulding. The machine in this case is electro-pneumatically operated, and the two welding surfaces on the moulding are at right angles. At the last station, the completed unit is tested for weld quality, and those which do not comply are automatically rejected.

The user says considerable time is saved by using the hybrid welding function combined with the turntable principle. The component is made in 19 seconds, compared with a cycle time of 45 to 50 seconds using conventional methods. Welding of less complex parts can take as little as 11 seconds for two components.

Bielomatik, Cotswold Street, London SE27 0DP. (01-761 1211).

Lubricators for air tools

OIL MIST lubrication of pneumatic tools and cylinders is not always satisfactory and this has led C. A. Norgren to introduce a range of direct injection lubricators which deliver a consistent metered quantity of liquid oil directly to the equipment each time it is started. The system does not depend on air velocity to carry oil to the point of lubrication.

Heavy duty tools operating in short bursts with a long length of hose can be served with the single point lubricator. This is supplied with 25 feet of ¼ inch nylon tubing prefilled with oil (a ½-pint oil reservoir is optional). The oil line runs within the air line to the tool.

Up to ten individual injectors manifolded in a single stack can be provided with the multi-point system for lubricating multiple nut runners and other multi-spindle pneumatic tools where each air motor must receive adequate lubrication. A larger version provides 20 individual oil injectors from two manifolds attached to the base of a three-pint oil reservoir.

The maker is at Shipston-on-Stour, Warwicks. (0608 61676).

Compressor supplies oil-free air

PNEUMATIC instrumentation and control systems used in the process industries, pneumatic bulk conveying systems, cement homogenisation, and bubble makers used to break ice or create oil barriers in harbours, all require a supply of oil-free air.

For applications such as these Aerzen Machines, 406 Roding Lane South, Woodford Green, Essex IG8 8EY (01-550 6691), has introduced the VM range of air-cooled compressors which supply oil-free air at pressures up to 3 bar, with outputs ranging from 400 to 5,000 cu. metres/hr.

Conversely, the machines can be used as exhausters to produce vacuums down to 0.3 bar, such as those required in the glass industry.

The machines are available in five sizes. A number of gear ratios are available (which can be changed without dismantling the compressors), permitting a close approach to the exact flow volume required. The maker says the machines are fully sound insulated. They are supplied in package form requiring only pipework and electrical connections.

● **COMPUTING**

Evaluation board for RCA micro

IN COMMON with most of the other microprocessor chip makers RCA Solid State-Europe has introduced a complete kit of components for building an evaluation board for its micro, the COSMAC CDP 1802.

It is intended for the smaller user not needing to invest in a full scale development system. Known as the CDP 18S030 the kit contains a PCB, byte input and output parts, a terminal interface, a read-only memory containing a utility program of commonly required functions, and a random access memory for user program storage.

Control logic and built-in displays provide facilities for program de-bugging. The addition of a terminal and a single power supply turns the kit into a complete computer for the evaluation of COSMAC programs and prototype systems.

An area of the board is left free for customers to add their own input and output devices and sockets are provided for integrated circuit of different pin counts plus an uncommitted 44 pin connector. More from Sunbury-on-Thames, Middlesex (Sunbury 85511).

Network to sell word processor

INFOTEC 7000 editing typewriter system will, from January 1, 1977, be marketed exclusively through a national network of accredited dealers.

During the past four years the Infotec word processing team has established itself as the U.K. market leader, selling more word processing machines than any other company and Infotec now has approaching 25 per cent. of the U.K. total installed base, the company asserts.

Kalle Infotec will continue to be responsible for the maintenance and supply of the Infotec 7000 and will also continue its programme of technical product improvement and enhancement. Operator in-house training will also remain the responsibility of Kalle Infotec.

There is no change in the marketing of the Infotec copier and facsimile transceiver products; these continue to be sold through the Kalle Infotec direct sales force.

(CDRA) which has over 75 per cent. of research associations and allied organisations in the U.K. in its membership, is significant in view of the serious effects on the RA's of the Benn Green Paper.

Since 1971, the number of research associations has remained virtually the same at 42, although two have amalgamated. At the same time the average number of members of a research association has grown from 472 organisations to 804, with, of course the size of individual associations ranging from less than 100 members to many more than 1,000.

Between 1970-71 and 1974-75 income for research associations has seen a significant shift from Government grants (down 10.5 per cent.) to voluntary contributions (up 30.7 per cent.) and government and industry contract work (up 25.2 per cent.).

During the same period, income from all sources rose from £16,380,611 to £24,062,174.

Jet pumps review

THE REVISED second edition of "Review and Bibliography on Jet Pumps and Ejectors" has been published by BHRA Fluid Engineering, superseding the original edition published in 1972.

Since then, appreciable progress has been made in identifying the influences of geometrical design on the internal losses and overall performance of jet pumps. The author discusses aspects of the correct selection of jet pumps and ejectors for improved overall performance and low costs.

The work contains some 400 references and is intended to assist plant designers and users in the selection, application and design of all types of jet pumps and ejectors.

Available from BHRA, Cranfield, Bedford MK43 0AJ (023 750422) the 124pp A4 paperback costs £10.

● **EXHIBITION**

Saving on display stands

EXHIBITORS AT outdoor shows have a limited choice between tents, caravans, permanent structures and purpose-made expensive demountable units.

This choice has been widened by a new outdoor application of the System One-05 modular construction kit. This new application has been developed with the encouragement of the Milk Marketing Board, and used for them in the form of a rugged and architecturally pleasing pavilion to house a display at various agricultural shows this year. The new type of building is available on any combination of a basic 1.3 metre module.

It can be erected quickly, as proved by the four-day periods available for dismantling, transporting and erecting between the Royal Show at Harrogate, and the Royal Welsh Show at Builth Wells. Because of the small module used, no special vehicles were needed to complete these quick transfers.

For the Milk Marketing Board, the pavilion included an open display area, discussion areas and a 50-seat cinema in the total area of 1,600 square feet. However, interior arrangement can be tailored to suit any exhibitor.

The hard-wearing and weather resistant qualities of glass-fibre reinforced sheeting are used extensively, forming the outer skin of the wall units and the corrugated roof. A decorative trim masks the edge of the roof which is further strengthened by a 1.3 metre ceiling grid of 30cm deep beams.

Erection speed results from the construction of the individual panels, each of which has an extruded aluminium channel fixed in the two long edges. This channel, with a unique expanding clamp allows construction of an entire stand using only a screw-driver.

The joint produced between panels provides fixing grounds for shelf brackets and any other attachment to the walls.

Developers of System One-05 point out that if exhibitors use conventional stands designed specifically for them, then they will be paying for the fact that between 70 and 80 per cent. of the material going into the stand will not be re-usable.

Facing materials in their constructions are chosen to stand up to a considerable amount of hard usage without looking tatty. Some recently released modules have been installed and dismantled as many as six times without complaints from users.

Contemporary Design Unit says this is the simplest structural equipment on the market and that, since its inception, it has been simplified still further although the variation in designs it permits are virtually legion.

Contemporary is at Arlington Wharf, Arlington Square, London N1 7DR. 01-226 2077.

● **RESEARCH**

Sponsored work thrives

BETWEEN 1971-72 and 1974-75 the number of organisations in membership of U.K. research associations grew from 18,435 to a total of 22,344. Overseas members included in these figures accounted for 8 per cent. and 11 per cent. of the totals respectively.

This growth in industry's support for research associations announced by the committee of directors of research associations

● **COMPONENTS**

Gearbox range is extended

THE LATEST range of gearboxes (primarily to BS.4517) made by Tann-Opperman, will span ½ to 150 hp by next year. The boxes have helical gears and can provide any reduction from 2.7:1 to 8000:1.

The company, which has 5 to 6 per cent. of the U.K. market for gearboxes in this range, has invested £350,000 over the past two years on its new factory at Borehamwood. About half of this was spent on improving the mechanical handling facilities and the rest on production line machine tools. Further investment on production tools is planned.

Some 20 per cent. of the skilled manpower has now been trained for "flexible" operation and can be used on any machine-tool.

Tann-Opperman, which is at Chester Road, Borehamwood, Herts., WD6 1LT (01-207 030...) is a member of the John Ta... Security Group.

● **ELECTRONICS**

Testing at system speeds

MACRODATA MD-107 will test LSI sub-assemblies, including memories, and complex logic systems, incorporating microprocessors, at test rates up to 10 MHz.

Testing at system speeds is essential if failures due to device interaction, and component or line-to-line capacitance are to be detected reliably. The MD-107 applies Macrodata's LSI device testing capability to the testing of modules and sub-assemblies with up to 160 data bits (inputs and outputs). The system is applicable to testing of all classes of digital logic: pure combinational logic, mixed combinational and sequential logic and memories from 1x1 to 16 m x 160 arrays.

Flexible test pattern generation, using the Macrodata MD-104 microprogrammable multiprocessor, allows devices to be tested for pattern sensitivity at system operating speeds. A new test pattern, required by a change of device process or supplier, can be easily introduced into the programme at any time.

LSI Instrumentation, Phillips Building, Turnpike Road, Cressey, High Wycombe, Bucks. 0494 446671.

● **COMMUNICATION**

Attack on radiophone market

AFTER ABOUT 18 months in fairly low key with some initial FM equipment, Nolton Communications, now employing 100 people at Waltham Cross has launched the Sabre high power personal/mobile radio telephone.

It is designed on a plug-in unit basis allowing rapid change between vehicle, personal and office use. It also makes use of a series of plug-in circuit boards that enable the frequency band or mode of operation to be simply changed when needed.

Six RT channels are provided and the power output is ten watts when working from a vehicle supply and five watts in the personal mode from the internal rechargeable battery.

When plugged into the car dashboard the equipment is powered from the vehicle battery while the internal 9.6V battery is charged up. Withdrawn from the car it automatically changes from the external battery, loudspeaker and aerial to the internal supply/speaker and the set's own aerial. There is a desk adaptor to allow home or office use. The Sabre measures 180 x 220 x 60 mm and weighs 2.27 kg. More from Fieldings Road, Cheshunt, Waltham Cross, Herts. (Waltham Cross 33555).

● **HEATING**

Overhead radiant heating

LATEST ADDITION to the Nor-Ray-Vac range of infra-red gas heating systems made by Phoenix Burners, 34 Tunstall Road, London SW9 8DA (01-733 1181), is the Econoray.

The new equipment, which will be available in February uses four-inch lightweight mild steel pipe for the combustion chamber radiant tubes and exhaust system, instead of the standard heavy gauge 2½ inch pipe. This, together with a burner rearrangement and a fast coupling device for the pipework, has produced several economies.

Installation cost is stated to have been reduced by 20 to 30 per cent. bringing it well under most equivalent space heating systems used in factories and warehouses. The new design has a 50 per cent. increase in capacity.

The maker is sufficiently confident to offer a five-year maintenance guarantee, to include all spares required, at an annual fee of 2½ per cent. of the total installed cost.

Briefly, the system consists of a totally enclosed gas burner firing in a tubular combustion chamber which forms part of a pipework system over the area to be heated. The pipe, which is placed 3 to 5 metres from the ground, is heated by the hot gases and produces infra-red radiation.

Radiation is directed downwards by a polished aluminium or stainless steel reflector. A vacuum pump exhausts the system to the outside air and there is no possibility of combustion products entering the air in the building. Air for combustion can be taken from inside or outside the building.

The burner units, which produce about 60,000 Btu/hr, are sited at 5 to 7 metre intervals along the pipe. By the time the hot gases reach the exhaust the temperature has dropped to 60 to 70 deg. C, and the company says this represents a loss to atmosphere of only 7 or 8 per cent. available heat. Heating efficiency is stated to be around 85 per cent.

Phoenix claims an astonishing 40 to 50 per cent. reduction in fuel costs for the Nor-Ray-Vac system, which was developed in the U.S. Other advantages include: no condensation problems; no dust disturbance (because there is no convection); and unaltered relative humidity.

● **MATERIALS**

Electrical film cuts fire risks

BAYER has further developed its Makrofol polycarbonate films to give an improved fire performance while maintaining the mechanical, thermal and electrical properties.

The films are used mainly in the manufacture of coils and capacitors and for the insulation of line transformers. Use of the new formulation, polycarbonate modified with tetrabromobisphenol, makes the film flame retardent and therefore reduces a possible ignition risk in electrical and electronic equipment.

There are three grades. Makrofol SN is a normally amorphous, unstretched cast film with good thermoformability and very firm adhesion to polyester and epoxy resins. The SG version is a longitudinally stretched cast film (50 per cent. shrinkage when raised to 160 deg. C), while SKG is easily metallised and so particularly suitable for making self-healing capacitors. An important application is in capacitors required to fulfil strict safety requirements without any special protection such as sheathing or potting. Bayer House, Richmond, Surrey, TW9 1SJ (01 940 6077).

هكذا من الاصل

The Marketing Scene

Advertising declines

ESTIMATED MEDIA EXPENDITURES TO SALES BY PRODUCT GROUP

Product Group	Manufacturers' Consumer Advertising 1969 %	1973 %	1974 %	1975 %	Remainder 1969 %	1973 %	1974 %	1975 %
lationalised industries overnment	—	—	—	—	0.36	0.37	0.29	0.22
ood	1.07	1.04	0.82	0.74	—	—	—	—
lothing	0.52	0.31	0.22	0.23	—	—	—	—
uto	1.38	1.36	1.18	1.18	—	—	—	—
rink & tobacco	1.18	1.19	1.05	0.96	—	—	—	—
oiletries & medical	7.38	6.50	5.76	5.06	—	—	—	—
ousehold & leisure	1.96	1.76	1.49	1.39	—	—	—	—
etail	—	—	—	—	0.38	0.55	0.56	0.57
wings & financial	—	—	—	—	1.06	0.72	0.46	0.37
idustrial	—	—	—	—	0.48	0.44	0.40	0.37
ublishing, books	2.16	2.45	2.18	1.64	—	—	—	—
ourism, entertain-ents, foreign	0.89	0.79	0.76	0.67	—	—	—	—
OTAL OF ABOVE	1.32	1.25	1.07	0.98	0.46	0.49	0.44	0.40

HE myth that advertising ushes up prices is exploded in n analysis of advertising/sales itios conducted by David unbar of J. Walter Thompson n behalf of The Advertising ssociation and published in the ew booklet "Advertising Expenditure 1960-1975." It shows at in 1975 advertising as a ercentage to sales had on verage fallen by 20 per cent. nce 1973, and 10 per cent. since 974.

Another surprise is that it has ot only been the MCA category dvertising from the private ector directed at consumers), hich has done badly, but also e rest of advertising which as believed to be on a strong rowth trend. In fact both the CA categories and the emainder in 1975, show the west ratios overall since ecords began in 1969, and the ll in both categories since 1973 virtually identical.

The only sector to show any icrease at all on 1973 figures, as retail advertising which icreased its A/S ratio from 0.55 0.57 per cent. Although this by no means a large increase, looks good in comparison with e disasters shown in most other ectors.

The biggest falls in the past two years have come in publishing, financial and Government advertising. The falls in the first two categories—33 per cent. and 48 per cent. respectively—are not entirely unexpected, since both sectors have suffered considerable financial difficulties. The financial sector is the last to respond to any upswing in advertising revenue and lack of confidence by the private sector in the economy has been reflected in financial advertising in 1975.

The drop in the advertising ratio of Government and nationalised industries—40 per cent.—is perhaps more surprising and suggests that little of the large increases in Government expenditure have found their way into advertising.

Clearly, these figures are bad news for the advertising industry. Can we be a little more cheerful about prospects for 1976? Some slight improvement is to be expected, particularly in the MCA side: probably A/S ratios will be back to about the 1974 levels. But 1974 was the worst year on record, with the exception of 1975, so this scarcely means that happy days are here again.

Housewives not keen on price cuts

BY OUR MARKETING EDITOR

ALTHOUGH housewives might not believe it, this has been the year of the price cut. Estimates on companies below-the-line promotional expenditure in 1976 — leaving out the incalculable millions spent on bonus deals with big retailers — show that price reductions rose by almost £200m. to account for a half of all promotional expenditure. Advertising the special offers was the other big cost area.

The figures are produced by Harris International and although necessarily estimates, they are probably the best available. Rather ironically they come from a source which regularly campaigns against price promotions.

Harris International justifies its attitude by quoting research into housewife reaction: according to its latest survey less than a half of those quizzed regarded price reductions as "genuine," a decline on the previous report.

Another finding from interviewing housewives leaving supermarkets was that fewer than a half can name even one of the 20 or so products on promotion at any one time. Although shoppers bought special offers (it is hard to avoid doing so) the Harris International view is that constantly changing prices unsettle them.

They prefer more obvious bargain promotions like coupons — a half of housewives now claim to redeem coupons as against a third in early 1975; extra quantity packs; and banded packs. Younger ABC1 housewives in the south east seem to be moving against the large economy packs — perhaps their high unit price is just too high these days.

The best evidence for at least some consumer resistance to constant price changes is the success of the stores that concentrate on low prices and no frills. Asda is the classic example, but Kwiksave has done equally well, and other retailers are now experimenting in offering the basic grocery lines at the cheapest possible prices.

Fine Fare's Shoppers Paradise conversions of less successful stores to discount operation is working nicely, and more recently, William Low, the Scottish supermarket chain decided to offer 100 lines at permanently low prices.

SPENDING ON PROMOTION

£m.	'76	'75
Price reductions	620	425
Money-off coupons	20	12
Extra quantity	3	3
Banded packs	3	3
Stamps	120	110
Gift coupons	9	8
Free gifts	1.5	1
Free mail-in premiums	9	7
Self-liquidating premiums	4	3
Competitions	4	3.5
Samples	4	3
Display material	75	65
Trade Press support	1	1
Consumer media support	300	185
Sponsorship	20	15
Sales force and trade incentives	28	23
	1,221.5	867.5

Coupons cash in

TIMELY EVIDENCE of the popularity of coupons as a sales promotion in 1976, a popularity with both consumers and companies, is provided in the latest copy of the Nielsen Researcher. Nielsen is intimately involved in the coupons industry since its diversification policy took in into running the biggest coupon clearing house in the U.K., handling 1m. coupons a day and working for 84 manufacturers and 179 retail organisations.

This year coupons have grown by 80 per cent., according to the MS Surveys figures for the first seven months of the year. It reckons there were 1,357 such promotions. Obviously housewives see them as a money saving device at a time of rapid price increases. Nielsen reckons 300m. coupons will be redeemed this year, knocking £16m. off consumer spending. Twenty large grocery manufacturers still account for 71 per cent. of the coupons, but their dominance has declined 7 per cent. as against 1975.

Food still accounts for 64 per cent. of all the coupons offered but there is a broadening out in such margkets as confectionary, l -tobacco and drinks. This will bring more retail groups face-to-face with coupons. In the past retailer's resistance slowed down expansion but now coupons are prepared with more consideration for the retailers handling problems, and the handling allowance has risen from 19.6p a 1,000 in 1975 to 27.1p this year.

The Researcher gives the likely redemption rates for coupons appearing in the various media. Coupons in newspapers usually have a 1 to 4 per cent. redemption rate, and the same for magazines. In Shopping magazine the range grows from 5 to 8 per cent. Door-to-door distribution lifts it to 10-20 per cent. and is particularly good on new product couponing, while on pack tops the lot with 15-25 per cent. return.

A radio success

By Michael Thompson-Noel

THE FIRST Radio Campaign Awards dinner, held in London this week, was a definite success, partly because more than 600 packed into the Europa Hotel to listen to the best of more than 700 commercials, partly because the quality of most of the winners was distinctly alpha-plus.

Saatchi and Saatchi scooped the night's top award, a gold microphone given for the year's best overall radio commercial, with a clever piece of work for British Caledonian which also won the travel and recreation category. The same agency won the entertainment/media category with a commercial for the London Evening News West.

The winners:

Best station-produced commercial: Piccadilly Radio (Bolton Turkish Baths); Station promotion/Public Service: Radio Forth; Consumer durables: T.N.T. Studios (aluminium windows); Records and music: T. Richard Johnson (Chrysalis Records); Food and drink: Leo Burnett (McEwans Export); Entertainment/media: Saatchi and Saatchi (London Evening News West); Travel and recreation: Saatchi and Saatchi (British Caledonian); Retail stores: C.P.P. (Fine Fare); Others: Radio Operators (Johnstons Car Sales); Best use of music: Leo Burnett (McEwans); Best overall commercial: Saatchi and Saatchi (British Caledonian).

● ROE Downton is getting more Philip Morris business. It developed the Philip Morris International brand in Europe and has now been appointed to handle all the international advertising outside of Europe.

● LADBROKES has appointed Interlink to look after its Spot-Ball advertising.

● CRAWFORDS is to handle all the theme, information and corporate advertising of the Automobile Association, which has five million members.

● A NEW market to be measured by AGB is greeting cards. The first report, covering September and October, suggests that 170m. cards were bought, to a value of £10m. Over 40 per cent. of these cards were for Christmas and New Year.

Studying the winos

ACUMEN, the market research firm, has just been working on one of its most nerve-wracking assignments—it has been asked to quiz London down-and-outs on their drinking habits. Apparently they are such an important sector of the market that one leading drink company is probing into their favourite suicide-kits.

Drink has become Acumen's jam if not its bread and butter and over a fifth of its turnover now derives from studies in this market, usually for overseas companies. Its wine and spirits surveys give statistical information on 21 countries from the U.K. to Argentina, and on the basis of the data Acumen carries out feasibility studies for clients. For example, when looking for a likely new market for a wine, it decided on France, which for all its own product is generally ignorant about wine, and very susceptible to well advertised and positioned new brands.

Among recent nuggets of information published are the fact that sparkling wine production in the USSR is 160m. bottles, of which around 10 per cent. is produced by the Champagne process and that port shipments in the first half of 1976 recovered well, with France taking 43 per cent. more, while both the U.K. and Germany imported less.

French Champagne sales this year are also well up, by 15m. bottles in the first six months to 58.5m. France consumed 43.5m. bottles and then there was a big fall to Italy with 2.5m. bottles, and the U.K.'s 2.2m., which is double the early 1975 intake, but well over a million bottles less than imports in the first half of 1974. The Ivory Coast drinks twice as much Champagne as Denmark and NATO Forces outconsume Sweden.

The basic reports suggest that the U.S. is drinking less whisky, the 1975 intake at 238.6m. wine gallons, being the third successive fall. Imported whisky has grown, however, with Canadian almost catching up Scotch. Most whisky drunk in the U.S. is home distilled.

● LAST Friday J. Walter Thompson polled 745 of its employees on whether they wanted to belong to a union. There were votes from 608, of whom 30 wanted the unions in and 547 were against. Only 15 people actually named a union they would like to belong to, and significantly there were no votes for SLADE, which is trying to recruit new members from advertising agencies.

● CASTROL has returned to Dorlands. The oil company was there for 40 years before it moved to Bates in 1971. Now Dorlands, which has had a very good year, has won back the £1m. advertising account.

Inertia in industrial selling

BY ANTONY THORNCROFT

VERY few books on marketing ever have any practical effect, but How British Industry Buys, which appeared a decade ago, is one of the few. It was not its literary style which changed attitudes but its list of tables, based on data provided by the questioned firms, revealing the existence of a Decision Making Unit inside companies which decided on purchases. And the DMU was constantly changing according to the goods being bought.

This obviously had immediate relevance to sales departments—all those lunches for purchasing officers could well be a waste of time and money—and the Decision Making Unit has entered into the thinking of most sophisticated capital goods companies in the last few years. But the latest report from the organisation that produced How British Industry Buys suggests that there have been few structural changes inside selling departments to take account of the extra flexibility required to influence DMUs.

The new work is How British Industry Sells (in the meantime there has emerged How British Industry Prices). It is produced by Industrial Marketing Research and is more a report than a book, running to around 130 pages inside limp covers and economically priced at £5. Once again it is mainly tables summarising the facts supplied by 301 industrial companies on their selling operations.

The main use of the report is in inter-firm comparisons. It enables managing directors to compare their practices with other capital goods companies and to follow up areas where they are performing below average. The size of the survey does not enable direct comparisons with like-sized firms in the same industry, but the tables are sufficiently broken down to be relevant. As usual there are no earth-shattering revelations—just a few surprises.

Perhaps the biggest is the way that industrial companies have not reduced the size of their sales teams in the face of the economic recession and rising costs. While in the consumer goods field salesmen are often being ruthlessly discarded in favour of direct communication between the head offices of manufacturer and retail group, the industrial sales forces remain intact.

This is not because the industrial salesman is any cheaper. His average salary, plus commission, is between £3,000 and £5,000, with a car and other fringe benefits on top, giving him an overall annual cost to his employer, allowing for expenses and overheads of £8,500 in 1975, just £200 more costly than the figures arrived at by Rudi Goldsmith of Sales Force in determining how much it costs to keep a consumer goods salesman on the road.

The basic reason for the continuity in industrial selling is the ingrained belief that selling in this more technical, product dominated, area has to be personal. In addition there is probably some innate conservatism inside industrial goods companies. That this is so is supported by the findings on the organisation of the sales force—over 80 per cent. operated on a geographical basis rather than taking into account the importance of the customers.

The larger companies, with over 1,000 employees, were much more inclined to use a variety of selling methods, but a useful conclusion from the survey is that many companies should re-examine the deployment of their men, and consider whether they should not be concentrated where the business is, rather than just nursing a traditional area. The consumer goods concept of key account salesmen might have relevance to industrial selling.

Another immediately relevant area is the cost of selling in relation to the company turnover. The variation was wide—from 1 to 10 per cent., although the majority did not exceed 5 per cent. The larger companies had the lower figures, a consequence partly of economies of scale but also perhaps of higher efficiency.

Managing directors ought to investigate selling costs, especially as the survey suggests that while the average salesman makes three to four calls a day there is no correlation between frequency of calls and success in terms of turnover — in fact quite the reverse.

Another interesting discovery is that only in a fifth of the companies that replied did the marketing director have direct responsibility for the sales force. Selling in the industrial area is a discipline apart, with the sales managers reporting either to a sales director or to the managing director. There could be room for streamlining here. Perhaps the marketing director is investigating alternative forms of selling, such as direct mail, although there is little evidence of this from the survey.

A weakness of How British Industry Sells is that it places the burden of discovery on the reader. The vital information is hidden away in tables. On the other hand, the range of companies, both in size and market sector, is so extensive in the industrial field that broad conclusions are misleading. However certain additional nuggets of information should provide food for thought.

1—Threequarters of the companies use just one method of deploying their sales force. This looks rather inflexible, especially as the larger firms tend to experiment with more varied approaches.

2—Only one in three of the respondents gave applicants for jobs some kind of test, and there was a low reliance on educational qualifications. The main criterion was experience. This could be a weakness, as could the relatively brief training period, under a week on average.

3—A high—26 per cent.—of companies do not set sales targets for their salesmen, which implies some lack of central control. The smaller companies tended to leave their salesmen alone more than the larger. Another difference was that the smaller and medium sized firms paid a higher level of commission—the instances when commission was over 25 per cent. of income were confined to companies with less than 1,000 employees.

4—Nearly 70 per cent. of the larger companies had separate export sales forces, but only 20 of the firms with less than 100 employees had an export sales force. A general finding was that almost two-thirds of overseas sales negotiations (outside of English-speaking countries) were concluded in English.

The survey is only a start, but it is remarkable that in an area like marketing, which attracts a plethora of books and articles, this should claim to be the first which actually attempts to produce some realistic statistics on what actually happens.

WHAT SALESMEN EARN BY TYPE OF PRODUCT SOLD (Percent)

Annual earnings	All companies	Type of product sold: Raw materials	Component parts	Capital goods	End products
Less than £3,000	10	9	7	7	14
£3,001 to £4,000	57	61	64	52	55
£4,001 to £5,000	23	20	18	32	20
£5,001 to £6,000	5	3	5	5	7
£6,001 to £7,000	1	1	2	1	1
£7,001 to £10,000	1	1	—	1	—
Over £10,000	—	1	—	—	—
Not specified	3	4	4	2	3

THE FINANCIAL TIMES
(Established 1888)
Incorporating THE FINANCIAL NEWS
(Established 1884)

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THURSDAY, DECEMBER 16, 1976

Another bite at the cherry

THE FIRST thing to be said about Mr. Healey's latest mini-Budget is that it can in no way justly be called, as Sir Geoffrey Howe called it, an IMF Budget. We have outlined many times during the past few weeks of negotiation the sort of package which we ourselves would welcome and which the IMF, we had good reason to believe, would gladly accept. It did not include the sort of huge immediate cut in the public sector borrowing requirement which some other commentators have proposed: it did, however, stipulate that the cuts made should be genuine, ongoing, and wherever possible in *current rather than capital spending.* Yesterday's package does not measure up to these requirements. It is the very least that the IMF would accept as a condition for allowing the Government the first instalment of the loan for which it has asked.

There are three main elements in the package. First, there are public expenditure savings of around £1bn., rising to £1½bn. in 1978-79. Second, there is a net increase in measures to reduce unemployment and encourage industrial expansion of £200m. in each of the two next financial years, to be covered by increased duties on drink and tobacco. Third, there is the proposed sale of BP shares. These main elements are all much as expected. It is the detailed composition of the first two which is open to question.

Tiny proportion

Some of the proposed cuts in public expenditure are entirely laudable, like the savings in expenditure on *the Civil Service and education: but these make up only* a tiny proportion of the package. Some (like the accelerated cuts in food subsidies and the refinancing of fixed rate credits and of the nationalised industries) have a good deal to be said for them and will help to reduce the borrowing requirement, but are basically a transfer of payments from the public to the private sector rather than a saving of public sector real resources. Some again — notably the cut in public housing construction—will be welcome *when* they come but are a saving on capital rather than on current account and therefore more liable to be a postponement of expenditure rather than a genuine cut. Some — including a large element of the cuts in housing, construction, defence, aid — will have a greater effect on the private than on the public sector.

Again, while the idea of balancing help to the unemployed and to private industry against higher tax on drink and tobacco is sensible enough in itself, there is *room for criticism of the way in which it is being done.* It is doubtful whether the extension of the temporary employment subsidy and the job creation programme will sufficiently balance the ending of the regional employment premium to keep unemployment lower than it would otherwise have been. Nor is the supply of additional funds to the National Enterprise Board, in the cause of greater selectivity, likely to raise much cheer in industry.

Social contract

This is not just a political debating point. The Letter of Intent to the Fund refers to the two pillars of the Government's economic policy, the social contract and the industrial strategy. The social contract has already had the effect of giving the TUC more influence in political matters than is desirable and will no doubt continue to do so. But it is also once again going to involve the Government in negotiating a programme of voluntary wage restraint with the TUC in exchange for cuts in income-tax. How the Government will be able to make such cuts without upsetting its forecast borrowing requirement remains to be seen. Another, more important, question is whether, with even the present wage agreement under rising pressure because of falling real incomes, it is wise to enter into another —every possible breach of which will be eagerly watched by observers abroad.

The industrial strategy *is described in the Letter of* Intent as a means through which "the Government, the trade unions and the employers" are seeking to improve the performance of manufacturing industry. Again, it is not a political debating point to say that this order of priorities is precisely the wrong one. If the Government wants an early and sharp revival in productive investment, particularly at a time when the outlook for world trade is less promising than it was, it should have cut public use of resources further to make more available for private investment—and even private consumption.

Investment outlook

The most extraordinary feature of the whole mini-Budget, in fact, is the assumption that manufacturing investment will rise between the second half of this year and next by no less than 19½ per cent.—a much higher figure than most other forecasters have thought likely. This assumption seems to be tied up in the Chancellor's mind with another, that the confidence of businessmen abroad and at home in the country's prospects will be so improved by yesterday's package that interest rates will fall sharply, incidentally contributing a good deal to reducing the public sector borrowing requirement.

But the confidence of foreign observers is more likely to depend on future steps to deal with the sterling balances—for which the acceptance of paltry immediate credits from the U.S. and Germany is no substitute. The confidence of businessmen at home, in our opinion, will not be greatly increased by this package—and the CBI may well have second thoughts. Moreover, the target of monetary expansion to which the Chancellor is committed, compared with the recent rate of expansion, is such that money is likely to remain both tight and dear for some time to come.

This may not be an IMF Budget, in the sense of the Budget that the IMF would have liked to see. It is an IMF Budget, however, in the sense that the Fund and its officials are going to keep a very keen eye on the way in which the economy develops over the next couple of years. They have even gone to the lengths of making only $1.15bn. of the $3.9bn. for which we have asked available at once and only another $1bn.-plus by the end of next year. This close supervision, which some politicians may regard as humiliating, is the strongest reason for believing that the Government may yet get its sums right.

THE ECONOMIC PACKAGE

ECONOMIC ASSESSMENT

Nothing to uplift the spirit

INSTANT COMMENT is best avoided where possible. It is avoidable to-day because the IMF and the main creditor governments, those of the U.S. and Germany, who have had time to study the package, have already reacted.

Mr. Healey in answer to a question said that the Fund had been difficult to persuade. But actions speak even louder.

By now we all expected that the IMF standby credit would be *available in phased instalments:* but we did not know quite how phased they would be. Some $1.15bn. will be available around the turn of the year and over $1bn. by the end of 1977. This will leave nearly $2bn., or half the total, for 1978. This must be nearly a record delay for a major industrial nation's IMF application.

One is also impressed by the smallness of the immediate U.S. swap of $0.5bn. Indeed, the first IMF tranche and the U.S. swap total almost exactly the repayment just made to the central banks under the June facility. On top of this there is a $0.35bn. standby from the Bundesbank, which by German standards is no more than "pocket money from Frankfurt." The vagueness of the undertakings over the sterling balances is also notable. All the Chancellor could report was "constructive discussions" and "a general desire . . . to achieve a satisfactory arrangement." No doubt such an arrangement will be achieved, especially if Ministers could moderate some of their more extravagant ambitions, offer an exchange rate guarantee to balance holders and accept a standby of th ekind which was good enough for Mr. Roy Jenkins in 1968.

In short, while overseas creditors have not given a thumbs-down reaction, they have been as cool as they could *possibly be.*

But to my mind the details of the package are more important than the overall arithmetic. Those who were worried by the share of national resources going to the non-market part of the public sector have just as much reason to be worried as before the Chancellor stood up.

The package amounts to £1bn. of cuts next financial year and £1.5bn. in the following one (in end-1975 money) before taking into account £0.5bn. from the partial sale of the Government's BP holding. The measures divide into three main blocks. There are cosmetic or financing changes, such as the transfer of some export credits to the banks and the BP operation itself. *There are the reductions in* transfer payments such as food subsidies and the regional employment premium.

Third—and largest of all in the second year—are reductions in public purchases from the private sector, for instance, defence, housing and nationalised industry investment. These changes are welcome to varying degrees but apart from £50m. or so off the Civil Service and allied agencies there is very little to make one suppose that fewer people will be employed in the public sector as a result.

The statement is full of signs that the Government faced up to all the political hurdles and resolutely turned away. Expenditure on community owner*ship of development* land is simply to be cut by a third. Council rents are not raised: nor are the fiscal privileges for owner-occupiers touched; and there is no rethinking of the role of council housing. *No* change is to be made in the uprating of social security benefits, even though Treasury Ministers have complained that they have been rising faster than post-tax earned incomes.

The drink and tobacco tax increases of over £250m. simply pay for the unemployment palliatives and for the selective Government assistance to firms who either should not get it or who would be able to raise funds themselves if we had a real instead of bogus industrial strategy.

Above all the package leaves nothing over for an adjustment to the personal tax burden, which will continue rising without Government action. Mr. Healey says that he will give priority to so-called cuts in direct taxes if he has any room for manoeuvre. But it is difficult to see where he could get this apart from forecasting errors, *if he is to meet his* PSBR target of £8.7bn. for 1977-1978. Indeed the Chancellor is committed to obtain another £½bn. of savings the following year by still unnamed measures.

A new "contract" with the unions on which Mr. Healey laid such stress will not itself increase revenue or reduce spending, and the indirect effect *of such* a pact can be argued either way.

Thus, there is nothing in the Chancellor's statement to reassure an overseas (or interna*tionally mobile) investor or* manager who has been promised the enactment of the Bullock Report. So far from genuine experiments in worker participation, this is mainly a recipe for control by unions of assets which do not belong to them. On top of this Mr. Andy Bevan has been confirmed as Youth Officer of the Labour Party. It would be *irresponsible for* an economic commentator *not* to mention these things.

If I have not concentrated on matters such as the PSBR, it is because I have not been among those who thought that it needed slashing reductions. The official figures give a highly misleading impression of deficit. The new official target of £8.7bn. for *1977-78* and *the* expected *fall* from 9 per cent. of GDP to 6 per cent. next year and a little over 5 per cent. the following year are quite satisfactory. The problem in the last *few months* has been created partly by lack of confidence that these sums were under control and even more by the failure until now to accompany them by firm monetary targets.

These have now been given, but in terms of Domestic Credit Expansion. The broad effect of doing it this way is to allow the money supply to shoot ahead whenever the balance of payments is in surplus and to bring it to a near halt in periods of large deficit. This may be acceptable *enough to creditors* such as the IMF. But nothing has done more harm over the last 30 years than the linkage of demand management—whether monetary or fiscal—to sterling and the balance of payments rather than to domestic stabilisation.

It is possible to express DCE as a proportion of total *Domestic Credit* with the aid of figures in IMF Statistics. This shows a 16 per cent. limit in the financial year now drawing to an end and 12 per cent. in 1977-78. As the money supply tends to increase faster than DCE, these percentages give one a rough guide to prospective inflation rates and fit rather neatly with the 15 per cent. offi*cial forecast for retail price* rises in 1977 arrived at in a completely non-monetary way.

There is one intellectual innovation: that is, the undertaking that the PSBR will be further reduced in 1978-79 *if* output looks like growing by 3½ per cent. In other words, monetary policy will become more anti-inflationary once unemployment is on the turn. This is an interesting compromise between traditional full employment policy and a monetary approach, and one only possible if unemployment is already above the "natural" rate. The reader who suspects that this is a text-book point is probably right as what actually happens two years from now will be determined by politics and under foreign exchange pressures.

My own instinct is that inflation may be slightly better than the arithmetic suggests but still high enough to make indexation both of the tax system and of long-term loan transactions imperative. I suppose that the assurance that inflation will not explode, but just stay near double figures is something for which to be grateful. But even economic man does not live by counter-inflation alone and there is nothing to uplift the spirit and there is unlikely to be while the unity of the Labour Party remains the Number One objective.

Samuel Brittan

POLITICAL ASSESSMENT

Little credit from Labour supporters

THE SEVEN long sessions of the full Cabinet required to reach agreement on the economic package announced by the Chancellor yesterday, were successful in political terms mainly because a consensus fairly rapidly emerged on three main points.

The first was that an IMF loan was necessary and that it was far too risky to let the exchange rate fall much further. This entailed accepting minimum IMF terms.

The second point of agreement was that there was no satisfactory intellectual case for much further deflation. Expenditure cuts would have to be undertaken in order to satisfy *the IMF, but they should have* the minimum possible effect on unemployment.

The third criterion was of a more operational kind. It was clear that cuts could raise serious difficulties with the Labour Party with the possibility of parliamentary revolts by the left. This suggested that so far as possible the cuts should be within ministerial discretion and should require the minimum of legislation or even Orders in Council (which must be laid before the House of Commons).

All these points have been met. On the first, the figures add up to the least that is acceptable to Britain's international creditors. The third point is also met in very large measure. Only changes in the regional employment premium and the use of the regulator will require vote and debate on the entire and the second of these is hardly likely to create any difficulty. No doubt there will be a vote and debate on the centre package but this should hardly cause the *Government* very much trouble since the Conservative Party will probably be obliged to resort to a reasoned amendment to whatever motion is presented rather than root-and-branch opposition to cuts which they themselves claim, by their pressure, to have inspired.

So far as the second criterion is concerned, a glance at the cuts shows that the employment effects are minimal, and indeed the Chancellor claimed that on balance the package will marginally increase employment. Until it is known exactly how much expenditure—in the defence budget, in nationalised industry, on road construction, in con*struction of schools,* and on expenditure on the Civil Service —is going to be saved by interrupting work already in progress it is hard to say how many existing jobs will be lost. But the Government presumably expects this figure to be less than the number of jobs saved as the result of spending £120m. *during 1977/78* on measures to reduce unemployment.

This flat rejection of the arguments for further shifts of real resources from the public sector at this stage in the recession can be seen either as a victory for Keynesian common sense or a surrender to political expediency — according to taste. No doubt it will be called *both in the coming weeks.* The danger for the Government lies in the asymmetry of this comment. The market will be more likely to react badly as a result of the second of these interpretations than the Government's political supporters and the trade unions will be to react favourably as a result of the first.

Another sterling crisis either in the near- or medium-run would probably finish the Government off in short order. This proposition cannot be proved and could, indeed, be argued against on the grounds that the Government's supporters whether in Cabinet, in Parliament or in the country *still fear the return of Mrs.* Thatcher more than they do any pain that the Government might inflict upon them. My instinctive reaction, however, is that another unplanned dose of austerity would either carry with it Left-wing resigners from the Cabinet; or, if the Left-wing successfully argued for its alternative strategy of a siege economy, there would be resignations on the right. It is hard to see the Government surviving such defections for very long since they would be mirrored in the House of Commons.

Unemployment

For this reason the Government is still very much at the mercy of the outside world. But how much credit will it get in its own world for having avoided the worst consequences of the crisis from the social point of view? It is extremely hard to answer this before the effects of the package have sunk in. The chances are however, that with things looking as bad as they are already, the Government will not get much congratulation for the fact that they are not a lot worse. It is all very well for Mr. Healey to claim that the package will only add a minuscule amount to the Retail Price Index in 1977/8, but since the accompanying Treasury forecast predicts inflation from now till the fourth quarter of 1977 at 15 per cent. that is small consolation. The same applies to employment. The package may not increase it but that will not prevent unemployment rising during this winter as a result of other factors. Even on housing—where the Government has made in the package its most frantic effort to avoid hitting its supporters where it hurts, the general level of discontent is very high.

The Government's problem, in other words, is not so much trying to "sell" the package domestically as to impart both to the foreign creditors and to the British people, including its own supporters, a sense that it is in control of events and that it has a strategy which will eventually work. The exchange rate certainly depends upon this; so does business confidence and the industrial strategy; likewise trade union confidence and the social contract. The Chancellor's statement and the letter of intent demonstrate how difficult this is. The Government has clearly been *blown off course* and is equally clearly having its policy dictated, at least in part, by the IMF. It is doing things it does not wholly believe in. And yet it is saying at the end of the day that this is all part of its very own programme for national recovery.

A little success, starting with the sterling safety net, could begin to snowball into something tangible in the New Year—notably some really positive achievement whereby tax cuts are successfully bargained for another round of wage restraint from the trade unions. The difficulty is to bridge the gap between now and then. For this the Government is in part relying on the support of the international community, but in the last resort it will have to carry on by its own ability to look credible.

The Chancellor himself did not cut a very convincing figure yesterday afternoon, mainly because he has had to make the same promises and optimistic predictions before. He may be right, but inevitably he sounded hollow. In this situation it is clearer than ever that the Government's ability to win through to a more virtuous cycle of events depends on the Prime Minister and his political leadership. For a man in his mid-sixties he is having to carry a great deal.

David Watt

INDUSTRY

A mixed blessing

THE APRIL Budget was greeted as an "industrial strategy budget" *in which half* the measures could be regarded as specifically devoted to helping industry. The July measures, with the unexpected increase in employers' national insurance contributions, were regarded as an unforgivable stab in industry's back.

Yesterday's measures, on the other hand, were once more greeted with some pleasure by industry. Lord Watkinson, CBI president said: "In general, industry could be said to be chuffed by the announcement." And the response of the CBI Council members, who were holding their monthly meeting while the Chancellor was speaking, seemed reasonably favourable.

Much of the relief is based on what did not happen—the threatened introduction of import deposits, with its implications for liquidity, or direct tax or dues on companies.

If regional employment assistance has been cut off without the consultation which industry would have liked, then at least export finance aid has remained largely unchanged and the cost escalation scheme has been continued for another year, as has the temporary employment subsidy.

More positively, the Government has gone for a substantial cut in public expenditure—a thing for which industry, for emotional as much as for logical reasons, has devoutly wished—rather than raising taxes as it did in July. Industry aid is being increased by £80m. a year. And, of perhaps most interest to industry, the Government does seem to have been con*verted to the idea of easing* direct taxation for middle and upper management as well as for the lower paid—although the sincerity of these assurances has still to be tested by the Budget when it comes next April.

Yet this is not an "industry-orientated" mini-Budget, for all the Government's continuing talk of holding to its industrial strategy aims. Nor are yesterday's measures likely, in themselves, to do very much either way for industrial investment, production or exports.

They have been designed not to meet an economic strategy but to respond to a financial crisis and the terms of a new loan. To the extent that they improve the foreign exchange situation and general confidence and ease some of the crisis pressures of recent months, they will be helpful. To the extent that they affect domestic *demand for goods and services,* heir impact could be rather less welcome.

Construction

The CBI, which has urged cuts, admits itself that it is worried about the effect of defence cuts on employment. The cuts affecting construction output could prove disastrous for an industry already hit hard by this year's measures. The rise in duty in so far as it reduces personal consumption and damages the liquor companies' cash flow could hardly be called helpful to industry.

The Chancellor's promise of £100m. follow-up to the successful accelerated projects scheme and *additional industry aid* arrangements are a compensating factor. But in a sense they are not really part of the package. Promised last July, they reflect far more the views of the Industry Department and the Treasury *on the need to* move away from blanket investment aid, for regions or in the form of tax relief, towards *selective assistance aimed at* encouraging specific types of investment or expenditure in specific industries.

The continuation of low-growth conditions has meant that a scheme such as the recent £120m. accelerated investment scheme — under which interest relief grants were given to companies bringing forward delayed *investment plans — has become* all the more essential. Its successor, the "Selective Investment Scheme," whose details will be announced to-day, can be expected to continue the same aims and to broaden its net to include some marketing investments and export-directed investments. New industry aid schemes—such as those planned for electronic components and non-ferrous foundries — can also be expected to continue the aims of asset replacement that have marked the existing series *such as ferrous foundries* and perhaps widen the net to cover marketing and consultancy assistance.

But these schemes would have been introduced with or without a crisis leading to a mini-Budget. Yesterday's news was that they have not been cancelled. And the main problem will be whether they can really induce investment at a time when the outlook for demand and growth looks so black.

The same could be said of the other measures. The promise of more money to the National Enterprise Board (£50m. a year and above is believed to be under consideration) and the Welsh and Scottish Development Agencies sounds fine. But the promise was made in July, *the NEB would have probably* had to have a higher budget in any case and it remains to be seen in the White Paper on Public Expenditure early next year where the money will come from.

The dropping of the regional employment premium, worth £150m. in a full year, will be unwelcome to the more labour-intensive companies *while in*dustry as a whole would have liked more warning.

The importance of continuing the temporary employment subsidy and the job creation programme is more difficult to assess. Both are new schemes whose worth so far has yet to be proved. But they have political force and have had some short-term impact on monthly unemployment figures —their main function. What the Chancellor's reference to £120m. additional spending on *measures to reduce unemploy*ment in 1977-78 and his decision to extend the schemes really means is that the Government is delaying its decisions while it thinks through the whole question again next year and evaluates alternatives.

Adrian Hamilton

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FINANCIAL TIMES SURVEY

Thursday December 16 1976

TURKEY

Turkey is a vast country with one of the highest population growth rates in the world; it is both European and Asian, and Islamic but non-Arab. Its dilemma is summed up in its desire to join the EEC, based more on foreign policy than on domestic economic considerations.

A link between two worlds

By Dominick J. Coyle

TURKEY RIGHT now is in omething of a holding pattern, aiting for the inauguration of resident Carter to see if he ill "persuade" the U.S. Congress to approve finally a new ilateral defence agreement; aiting for Britain to assume ext month the Presidency of ie EEC in the hope that London may give new impetus to verdue negotiations for a "restructuring" of Turkey's association agreement with the Community; waiting for the general lection, scheduled for next ctober, to see whether either ie Justice Party or the Republican Peoples Party can secure n overall majority in the ational assembly and (hopeilly) use it for purposeful overnment to advance a delared economic and social proramme instead of the present attern of drift and compromise, n inevitable process, perhaps, iven the nature of the existng ruling coalition.

The coalition is headed by the P leader, Mr. Suleyman emirel, an experienced politian with an impressive survival it which he has used repeatedly nd well since 1965 when he rst became Prime Minister. ollowing serious university iots and street killings in 1971, e was forced out of office by he military, still the most otent force in Turkey and one eldom far removed from the entre of political power—albeit xercised generally on an arms ength basis. Yet Demirel managed to make a comeback early ast year (with the benign blessng of the army) when he patched together an unlikely four-party coalition following the surprise resignation of RPP leader Mr. Bulent Ecevit in the aftermath of Turkey's invasion of Cyprus. The Prime Minister's main achievement since then has been keeping the coalition in one piece, a time- and energy-consuming process which has left little scope for actually running the country.

Partner

The JP is essentially a right-of-centre party, supported strongly in the vast rural areas and favouring generally a private enterprise approach to economic development. Its principal coalition partner is the staunchly pro-Islamic, but broadly left-leaning, National Salvation Party headed by the colourful and enigmatic Professor Necmettin Erbakan who professes to believe in economic self-sufficiency for Turkey and sees, incidentally, the EEC as a "club of Christians exploited by the Jews." He is a Deputy Prime Minister in a country whose constitution prohibits specifically the exploitation of religion for political ends, yet his main political platform amounts to an unconcealed call for an Islamic renaissance.

Two other small parties make up the ruling coalition, and their leaders too have Deputy Prime Minister status; there is the former army colonel, Mr. Alparslan Turkes, whose National Action Party is, on any rational assessment, extremely Right-wing, and Professor Turhan Feyzioglu, the distinguished intellectual, who heads the Republican Reliance Party. He leans instinctively in the direction of the opposition RPP (Feyzioglu and Ecevit are personal friends who entered politics together in 1957), but believes that it is coming increasingly under the influence of a Marxist faction, a charge which for the record Ecevit himself dismisses as nonsense. Feyzioglu may even lead his handful of deputies directly into the JP before the next general election.

As a political mix in Government, the present Demirel administration is something of a phenomenon, as indeed in a way is the country itself. Turkey is vast—roughly one-tenth the size of the continental U.S.—is both European and Asian, non-Arab but Islamic. It has among the highest population growth rates in the world (an annual 2.4 per cent against a European average of 1 per cent.) which a faltering and politically controversial family planning programme is doing little to erode. The Turkish population in 1937 was under 14m., it had doubled by 1960, is now above 40m. and on present trends could be 70m. by the turn of the century. Professor Feyzioglu insists that sharply reducing the birth rate is one of the major socio-economic tasks facing the country. Mr. Turkes is opposed to all family planning "until the population of Turkey equals that of the Soviet Union," the old enemy against whom this country has fought more than a dozen wars over the past three centuries.

These wars—most of which the Turks lost—are a ready explanation why Turkey should seek allies against its powerful neighbour and, a small slice of northern Norway apart, this is the Nato's only land border with the USSR. But Turkey's commitment to the West—and it is real, despite present resentment with the U.S. over arms supplies and with the EEC over the terms of the association agreement—stems, like practically everything else in the country, from Ataturk, the father of modern Turkey, the man who virtually single-handed lifted the country from the ruins of the Ottoman Empire, gave the Turks back their self-respect and set the country firmly on course towards Europe.

His was the process of secularisation (now resisted openly by Mr. Erbakan) and for electoral gain with the under-privileged and often illiterate masses in the rural areas, especially in the eastern provinces, by Demirel more implicitly) which has made its visible mark on the country since his premature death at 57 in 1938. It has been a slow process, but overwhelmingly successful at least in the urban areas, and in its train has come a remarkable modernisation with land reform, industrialisation, improved educational facilities, communications and medical care, greater investment in infrastructural improvements and a more equitable if still inadequate distribution of wealth.

Charm

But these are advances which should be measured against the Turkish past, not the contemporary European norm, and to the occasional and uninformed visitor, there must seem to be a vast chasm to be crossed in order to bridge the gap between even modern Turkey and the Europe of to-day. Another chasm of sorts, that across the Bosphorous, which in a defined sense really separates Europe from Asia, was spanned majestically with a magnificent new bridge in 1973, and yet the traffic volume in and out of Istanbul is already such to-day that another bridge is now necessary. Occasional setbacks apart, Turkey is still pressing on with Ataturk's dreams.

Just now a couple of important roadblocks have been erected on this road to Europe, and it would be wrong for the West as a whole to underestimate (or, worse still, to ignore) the "psychological" damage which could result from these barriers, or indeed how they may be exploited in the forthcoming Turkish general election campaign by forces (not least the National Salvationists and, perhaps to a lesser extent, those to the left of the RPP) opposed to the policy of Europeanisation. The American arms embargo, mounted in the wake of the Turkish invasion of Cyprus in 1974, may have been intended by the U.S. Congress to encourage Ankara to negotiate a settlement over Cyprus, but as seen in Turkey it was a unilateral action by one NATO member against another, a deliberate rupture in a multilateral alliance designed exclusively to alter the direction of Ankara's foreign policy.

Senior Turkish diplomats argue (much more articulately than most of their political masters) that NATO is a mutual alliance endorsed wholeheartedly by the vast majority of the Turkish people—and certainly by the Turkish armed forces—and that the population's commitment to it can only be put at risk "if we are penalised, as we have been over Cyprus, merely because in 1974 we exercised a perfectly legitimate right in international law under the Zurich and London agreements." As they now tell it, Turkey intervened as a guarantor power to re-establish the status quo in a strategically-important Mediterranean island only 40 miles off Turkey's southern coast in the face of an attempt by the (then) Greek Junta to annex Cyprus to Greece.

Persuasively

Turkish diplomacy can, when required, argue impressively and persuasively, even if no one can reasonably claim that the present Turkish occupation of 40 per cent. of Cyprus territory has merely re-established the status quo prior to the Greek-inspired coup against the government of Archbishop Makarios. But the resultant U.S. arms embargo (since lifted under direct pressure by President Ford) and the continuing failure of the U.S. Congress to approve the subsequently negotiated bilateral defence agreement do contain the seeds of a growing feeling in Turkey "that the West does not really want us." This is right now coupled with the wholly unsubstantiated assumption by most Turks that President-elect Carter is strongly pro-Greek, an assumption regularly voiced by the Turkish Press which, perhaps, has failed to distinguish between American presidential electioneering (after all, an estimated 4m. Greeks live in the U.S., against perhaps no more than 70,000 Turks) and the determining of foreign policy both in the direct interest of the U.S. and of the Western Alliance as a whole.

Turkey's failure—or more correctly the failure of the Nine—to reach agreement on a re-structuring of Ankara's association agreement with the EEC ("we committed publicly our faith in, and commitment to, Europe as far back as 1964 in the pre-association agreement") is another cause of resentment. "Our relations just now with the Community could not be worse," Mr. Ihsan Sabri Caglayangil, the Foreign Minister, told the Financial Times in Ankara earlier this month, and he suggested that political as well as economic consequences could result. Turkey has, in fact, seen the value of its own concessions for agricultural exports to the Nine eroded by preferential deals since made by the Community with other Mediterranean countries, and the failure to hold as planned a ministerial association council

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BASIC STATISTICS

Area	296,500 sq. miles
Population	41m.
GNP	£T529bn.
Per capita	£T12,900
Trade (1975)	
Imports	$4.7bn.
Exports	$1.4bn.
Imports from U.K.	£144m.
Exports to U.K.	£35m.
Trade (1976 to end-Sept.)	
Imports	$3.7bn.
Exports	$1.5bn.
Imports from U.K.	£155m.
Exports to U.K.	£45m.
Currency: £1=26.3 Turkish lire	

Economic aims

Economic performance is matching its planned targets, and achieving full membership of the EEC by the mid-1990s remains a cornerstone of Government policy.

RELATING PERFORMANCE to plans, the Turkish economy has, broadly speaking, developed well, and practically on target in recent years. GNP growth in real terms has averaged some 7 per cent. since 1963, when the concept of planning came into force. In the six years since 1970, taking into account provisional estimates for the current year, the growth rate overall has come out at 7.3 per cent., while the rise in manufacturing industry specifically has been an average of 8.5 per cent. The former is an improvement on the planners' forecast, the latter some 1.5 per cent. below target.

Taken as a whole, this performance has encouraged economists in the State Planning Organisation in the accuracy of their projections through to 1995 when, on the basis of present assumptions, Turkey should be a full member of the EEC.

"The growth rate of GNP over the 15 years from 1972 to 1987 is estimated at 8.6 per cent. and at 9.6 per cent. for the 1987-1995 period, while average growth rate is estimated at 8.9 per cent. for the full 23 year period. These targets exceed those planned during the 1970's for other developing economies in Europe, which means that *the gap between the Turkish* and the latter economies will narrow."

Discounting for the moment Turkey's present conflict with the EEC (see elsewhere in this survey), the objective of achieving full Community membership by the mid-1990's remains a cornerstone of Government economic policy, and it is an objective also endorsed by the opposition RPP. True, there are reservations in the private industrial sector, in the sense of some questioning (mostly in private) whether the country's relatively infant economy can be developed sufficiently and in time to withstand full European competition. Yet it is accepted generally in Turkey that the primary motivation is political. There is no question in Ankara but that Turkey must join the Community if only because Greece has applied for full EEC membership, and indeed the sole "political" observation right now concerns whether Greece inside the Community could not veto Turkey's full membership.

Impressive

But to return to the short-term position: Turkey's performance on external trading account in the first nine months of this year has been impressive, although the trend line does nothing to disturb the general pattern of a country with a chronic trade deficit. An exports boom in the early months of 1976, in one sense at least artificial in that it reflected *a one-off dispersal* of some accummulated stocks, pushed the January-September total to $1.5bn., or 50 per cent. higher than in the corresponding period the previous year. Imports, on the other hand, rose by only 5 per cent. in the nine months to $3.7bn., although this reflected a delay (more politically inspired than the result of an over-staffed and cumbersome bureaucracy) in the granting of licences rather than any underlying reduction in demand. The outcome, none the less, has been a 13 per cent. reduction in the crude trade deficit to $2.2bn., suggesting that the deficit for the full year will be somewhat lower than in 1975, perhaps fractionally under $3bn.

Such a final outcome (figures inevitably run well behind events) would be in line with official projections for the fourth year of the third five-year plan (1973-77), but it is already apparent that plan projections for the size of workers' remittances from abroad at $1.3bn. will be wide of the mark. The recession in Europe has meant fewer jobs—some fifty thousand Turkish workers are estimated to have returned home over the past 18 months—and the Central Bank calculated earlier this month that total remittances this year would be some $160m. lower at $1.15bn. This suggests, after allowing for other small items on the invisibles side, that the current deficit this year should be of the order of $1.5bn.

Given *some recent foreign* borrowings, investments from abroad and international aid facilities, Turkey would appear to require borrowings of about ($1bn. or thereabouts in 1976, less any run down in the reserves $1bn. at end-August) to balance her payments. This is by no means an impossible task, not least because of the sizeable inflows throughout the year to the valuable if volatile Turkish lira convertible accounts.

WORKER REMITTANCES
$m.

1966	115
1969	141
1972	740
1974	1,426
1975	1,313
1976*	1,150

* Central Bank estimate

But the payments problem is not just for 1976, and Turkey's debt commitments continue to rise. The country's total foreign debt, excluding the convertible accounts, stood at just over $3bn. in March of this year, and the annual servicing cost is rising as the grace period of many long-term debts runs out. On average, debt repayment (principle and interest) will be some $3bn. over the next decade or so. In passing, however, it is only fair to record that among developing countries, Turkey's debt obligations are relatively low, both on a per capita basis and as a percentage of even her limited foreign exchange earnings.

Nonetheless, a combination of *Turkey's almost perennial short*-age of hard currencies and her rising foreign debt commitments must put a question mark over whether the country will not be obliged to cut back on the rate of growth of imports over the next few years and thus threaten her expectations for a continuing high level of overall national growth. On present plans there is certainly little remaining room in which to manoeuvre on the imports side, since more than 95 per cent. of all imports represents either raw materials or investment items. Consumption goods last year amounted to only 4.3 per cent. of total imports, and the figure has been cut back even further in 1976.

Turkey, too, of course has been hard hit by the rise in oil prices. Imports of crude in 1973 cost $250m. The January to September figure this year was $800m. (compared with $560m. last year) and the total for 1976 is likely to reach $1bn., representing more than a fifth of total imports. Yet for all that the country is fortunate is being able to meet roughly one-third of its petroleum needs from domestic resources—further discoveries would seem to be more likely in the eastern provinces than in the more widely-publicised Aegean possibilities—and the cost of any new Opec price rise should be compensated at least in part from transit royalties from the new northern Iraq-Turkish Mediterranean coast crude oil pipeline system. This 981-km Kirkut-Iskenderun pipeline (the third east Mediterranean outlet for Iraqi crude after Banias and Tripoli) is due to open next month at a total cost of $550m. and with an annual throughput capacity of 35m. tonnes.

Meanwhile, the potential for increasing exports remains considerable in the long term, particularly if based on a further development of the agricultural sector, but this requires not only a favourable revision in Turkey's present association agreement with the EEC, but also a greater *degree of speciali*-sation, not least in production areas for which there are ready international markets. Take but just one small example. Parts of the country's fertile southern coast area can produce marvellous strawberries in the late spring when a fashionable and highly profitable market exists in Northern Europe, yet to date planned efforts to service this type of specialist trade have been minuscule. More generally, it is now argued widely—by the World Bank among others—*that* Turkey's drive for industrialisation risks a possible downgrading of further agricultural development, an area of still immense overall potential, despite the impressive advances in this field over the past 15 years.

Certainly Professor Erbakan wants the main emphasis on industrialisation, and primarily on highly capital-intensive projects, partly export-oriented but in some instances towards import-substitution. Yet the professional planners are gradually coming around to the view that Turkey's urgent "social" need is for labour-intensive industries if in the foreseeable future there is to be any realistic prospect of absorbing the vast army of unemployed. On average, some 440.000 people are coming on the labour market annually, and less than 40 per cent. of them can find gainful employment even on an optimistic reading of planning targets. Currently unemployment, or what the Central Bank refers to delicately as "the labour surplus," is put officially at close on 2.5m. In fact, it is certainly much higher, since large numbers of rural workers are not registered, and there is also a very high volume of underemployment. The situation is aggravated, of course, because Turkish workers are now returning from abroad owing to unemployment in Europe, particularly from West Germany.

This continuing very high level of unemployment, coupled with an inflation rate put officially at around 15 per cent. but more generally estimated at closer to 20 per cent., is now in danger of becoming a real political football as Turkey prepares for a general election, albeit one which may be as much as ten months away. Ministers already appear to be competing with one another in announcing new industrial projects, often in relatively remote parts of the country where the only logic would seem to be short-term political appeal. The shape of the new five-year national plan (1978-82) is now being finalised, but the politicians can be expected to influence greatly its final content, not least because it seems certain to be published before the election. Just how realistic it will be in terms of meeting Turkey's immediate problems remains to be seen, but the problems are certainly there, despite the overall economic progress over the last two or three decades.

Viewed in isolation and exclusively in the context of Turkey, or indeed of other countries at a broadly similar stage of development, these problems are not acute. But this country has committed itself to Europe, to free and open trade and competition before the end of the century, and in that context, a great deal remains to be achieved, and not only in tackling the unemployment situation. The entire social and economic infrastructure of the country must be expanded urgently to achieve even minimum European standards, not least in the fields of education (one in five children do not now get even a primary school education), and health (almost half the country's in-patient institutions are in the three largest cities). Indeed, it is acknowledged openly in the third five-year plan that "sanitation, child nutrition, workers' health and security standards are below the required norm."

The next plan, discounting some grandiose "political" projects which almost certainly will not be able to be financed anyway, is likely to continue the emphasis on achieving five principal economic goals—raising overall living standards, industrialisation, decreasing dependence on external resources, solving the problem of unemployment and improving the distribution of income. There is much to be done within the short time-scale modern Turkey has set itself.

Dominick J. Coyle

Link

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meeting in Ankara before the end of this year, has in effect, already resulted in a freezing of Turkey's relations with, and obligations to, the Nine.

In particular, although given the general level of unemployment in Europe perhaps more *for domestic political reasons* than any other, the Demirel Government is publicly highly critical over the failure of the Community to implement as scheduled from December 1 the first steps in a ten year programme to ensure complete freedom of movement for Turkish voters throughout the the EEC.

Remittances home by the more than 650,000 Turks working abroad—principally in West Germany—have been dropping over the last couple of years, but they still represent cover *for about half the country's* annual imports. The Central Bank estimates these remittances this year at some $1.15bn., down, about $160m. over 1975. It remains nonetheless an impressive sum in the invisibles account, and a vital factor in a country with a chronic deficit on current trading account and in constant need of foreign exchange.

Growth

The Turkish economy is reviewed elsewhere in this survey. It is sufficient here to record that the country's dash for growth through a series of five-year national plans has been not unimpressive. Average annual growth was only fractionally below 7 per cent. over the past three years. Taking the last quarter century and despite the sharp rise in the overall population, per capita GNP has increased by 150 per cent. (expressed in constant 1968 prices). On current prices and an exchange rate of 16 Turkish Lira to the U.S. Dollar, per capita GNP last year amounted *to $820.*

This performance has not been without sizeable internal strains and a progressively deteriorating payments situation.

Premier Demirel insists that the country is not afraid "of going into debt" to finance its economic and social development, although some potential leaders may well take a different view. Professor Erbakan, whose party now controls the Industry Ministry, says he plans to lift Turkey from bottom to fifth place in industrialisation in Europe by the turn of the century, although he is much less forthcoming on how such a breakthrough is to be financed. The Turkish military is continuing to demand—and to get—a disproportionately large slice of total state spending, but then this is probably inevitable, and is also the case now in Greece, given not only historical hostilities between these two countries, but in particular their present "confrontation" over Cyprus and the disputed Aegean Zone.

Whatever the ultimate fate of the many grandiose political (and electoral) commitments to spectacular industrial and infrastructural projects over the next decade, one thing as ever remains true in Turkey—the military will always have priority when it comes to the allocation of limited resources.

هكذا من الاصل

Political parties woo the voters

Prime Minister Suleyman Demirel's four party coalition is likely to remain in power until the October, 1977, general election. What may happen after that is anybody's guess.

PARTY POLITICS, like much else in modern Turkey, stem from Ataturk. The Republican People's Party (RPP) was, in a real sense, his own creation, and it now forms the opposition in the National Assembly under the leadership of the former Prime Minister, Mr. Bulent Ecevit. The present Government of Mr. Suleyman Demirel is a four-party coalition headed by Mr. Demirel's Justice Party (JP), effectively the successor to the ill-fated Democrat Party of Mr. Adnan Menderes (he was executed in the aftermath of the 1960 military coup) formed by a breakaway faction of the RPP.

Of the three other coalition partners, both the National Salvation Party (NSP) and the Nationalist Movement (NMP) were set on course by, respectively, former members of the JP and the Democrat Party. Professor Turhan Feyzioglus' Republican Reliance Party (RRP) was born from an ideological split in the RPP, Professor Feyzioglu resigning because, he claimed, socialist policies were being advocated by Mr. Ecevit and his predecessor, Mr. Ismet Inonu. Indeed, for a while it seemed as though the professor's forecast at that time — "Once you make the party discriminate between bourgeois and proletarian, it will disintegrate" — would be borne ont as the RPP saw its support in the country slide in three successive general elections.

Thus, all of Turkey's constitutional parties had their origins in the RPP, although this is merely an interesting historical footnote rather than of any real contemporary relevance, since there is little to link them to-day. Political commentators are inclined to give (and readers seem to appreciate as a rough rule-of-thumb guidance) ideological "labels" to various parties. The system, of course, has its limitations, but with that proviso the RPP to-day is generally social democrat with a small but vocal extreme leftish faction, while the JP is right of centre and professes at least to champion the cause of private enterprise. The NSP, formed only four years ago, is led by Mr. Necmettin Erbakan, something of a religious fanatic. It captured almost 12 per cent. of the popular vote in the 1973 general election on an openly pro-Islamic platform in a country whose laws unambiguously prohibit the exploitation of religious sentiment for political ends! The RPP is strongly anti-communist and to the right of centre: the NMP under the former army officer, Alparslan Turkes, is, to put it mildly, neo-Fascist.

That is Turkey's political mix to-day, with the additional and interesting fact that the leaders of the three parties which really count in electoral terms are all, relatively speaking, young men. Mr. Demirel, who first became Prime Minister in 1965, is 52, or just one year older than the RPP leader Mr. Ecevit, while Mr. Erbakan is 49. However, political wags in Ankara, while conceding that Ecevit and Erbakan do look their respective ages, consider that the Prime Minister "must be at least 60," adding as an intended afterthought that sitting around the Cabinet table with such a desperate lot as Erbakan, Turkes and Feyzioglu and their respective supporters "would be enough to put years on anyone."

And this is indeed the nub of the present political situation.

Mr. Demirel's main concern is to survive until the next general election, which is scheduled for October next year and is unlikely to take place before then, since he at least seems convinced that the JP will then secure an overall majority and rule alone. Few, if indeed any, observers in Ankara give him much chance of doing that, although in the last mid-term elections the JP did push its share of the vote from under 30 to 41 per cent. Nonetheless, it would be a real political surprise if Mr. Demirel can repeat the party's 1965 performance and capture more than one in two of the popular vote.

Mr. Ecevit, having just come through a party congress in which a left-wing faction under the former Finance Minister, Mr. Beniz Baykal, failed (by a relatively small margin) in a takeover bid for the RPP hierarchy but not, it was emphasised, a move to unseat the party leader) is in good shape to fight the general election. The RPP is now likely to close ranks behind Mr. Ecevit and his hand-picked men on the party's general administrative Board, following the unsuccessful challenge at the 23rd Congress, and the former Premier must have hopes of making further electoral gains. The RPP is already Turkey's largest party and, as with the case of the JP, it too advanced sharply in the last mid-term contest, raising its popular vote from 33 to 40 per cent.

Turkish mid-term elections are, of course, more than a good random sample, but on the last occasion only one in ten of the elected seats were at stake, so the results are not necessarily a wholly-reliable guide to electoral sentiment nationally.

Stable

There are now two big horses in the field, the JP and the RPP, with Mr. Demirel and Mr. Ecevit each determined to come to power alone. Each insists that the country wants at least four years of stable politics to get to grips with Turkey's economic and social problems. Each of them—Mr. Demirel as of now, Mr. Ecevit on the last occasion—knows the problem of working in government with the NSP as a coalition partner, although, discounting for a moment their religious fanaticism, the "salvationists" are probably closer to Mr. Ecevit's brand of social democracy than to Mr. Demirel's conservative leanings.

The election campaign has already started, and Mr. Ecevit is fighting it almost exclusively on domestic issues, since there really is no fundamental difference between the JP and the RPP on foreign policy, even if the RPP leader did his personal image no harm at all by being the man who authorised the Turkish invasion of Cyprus in 1974, a universally popular move which in the eyes of every Turk "showed the Greeks who is boss."

Mr. Demirel and Mr. Erbakan are currently active throughout the country laying foundation stones for this or that major industrial project, promising jobs to come if only the electorate has the good sense to do the right thing by them next October.

The Prime Minister has a record of considerable inactivity to defend, but no doubt he will do so by stressing that his hands have been tied by his coalition partners. While professing outright commitment to the ideals of Ataturk and to his concept of the secular state, Mr. Demirel can also be expected in the campaign to nod and wink in the direction of the peasants and the artisans who like to think that their religion will be respected. (This has the advantage, according to JP electoral strategists, of persuading some voters away from Mr. Erbakan's NSP.)

Mr. Ecevit for his part will be putting much more emphasis on attacking the Government's record than in spelling out specifically RPP policies, and it is already noticeable that he is easing off in his direct criticism of the NSP and directing his attack mainly on Mr. Demirel. The RPP knows that most NSP voters have nowhere to go other than to the JP, and one suspects that Mr. Ecevit in any event may have decided privately that after the next election he may need the "salvationists" in order to form a majority government.

Another coalition of whatever kind would be bad for Turkey, bad both in terms of solving domestic issues and in tackling seriously the many outstanding difficulties with Greece, including Cyprus and the Aegean dispute. Mr. Ecevit plans to go into the country and, particularly in the rural areas, try to capture the other 5 or 6 per cent. of the vote the RPP needs to come to power alone. The odds right now must favour his chances of getting them, but it could be touch and go, and nine months is a long time in Turkish politics.

Meanwhile, and seemingly as ever in Turkey, student militants in the universities are mirroring the political extremes, both on the left and the right, although both Mr. Demirel and Mr. Ecevit have condemned roundly the campus clashes and the deaths which have arisen directly from them. University unrest in the past has been a preliminary to a move by the military against the politicians, but for the moment anyway the army is showing no inclination to get back into politics. But in Turkey, with its seemingly endemic political instability, one can never be really sure.

D.J.C.

Defence spending

The Turkish defence budget is a big one, and the country makes an important contribution to the NATO defence force. But there are some who think the current burden is too heavy.

TURKEY has the largest army in Europe and spends a higher percentage of its Gross National Product on defence than any other Nato ally. Of just over 5m. men that the Atlantic Alliance has under arms, nearly one in ten is a Turk.

The comparable figure for the armed forces of the Warsaw Pact is 4.64m. It is therefore possible to say that it is the 480,000 Turkish officers and men who account for Nato's overall numerical superiority.

That, of course, is an exaggerated way of putting it. The Turks are in Turkey, which is not the most likely place for a Pact attack. They are not even deployed along the rest of the Alliance's southern flank. It is in the central and especially northern parts of Europe where Nato is numerically weak. Nevertheless, if one takes an aggregate view of military power, the Turkish contribution is important. One can see, for example, what a difference it would make if the Turkish forces were on the other side.

The same consideration applies even more so when one looks at the map. Turkey could be a Black Sea, a Balkan or a Middle East power, or a combination of any of them. It overlooks the straits between the Black Sea and the Mediterranean. It has borders with Syria, Iraq and Iran, as well as the Soviet Union. If it were to shift allegiance or to go neutral, the balance of power in the whole area would be quite different.

Yet over the years Turkey's importance to the Atlantic Alliance—or rather to the U.S., for there has always been a tendency for the Turks and the Americans to see Turkey's membership as a bilateral relationship — has changed. In the 1950s Turkey was a platform for U.S. missiles aimed at the Soviet Union. Shortly after the Cuban crisis of 1962, some of the missiles began to be withdrawn. In part, this was believed to be the result of an arrangement between President Kennedy and Mr. Krushchev in return for the Soviet climbdown over Cuba. But the other factor was that the development of intercontinental ballistic missiles meant that the Turkish platform for shorter range missiles was no longer so necessary.

In the later 1960s, however, Turkey became important in another way, again because of its proximity to the Soviet Union. It became the platform from which U.S. electronic installations monitored Soviet activities. No one gives precise figures about these things, but it has been estimated that about 30 per cent. of U.S. intelligence about what was going on in the Soviet Union came from installations in Turkey. The Americans did not pass on all of this information to the rest of NATO, still less to the Turks. But it was a measure of the relationship that the Turks accepted the arrangement.

It was therefore with considerable shock that the Turkish armed forces reacted to the American arms embargo imposed after the Turkish invasion of Cyprus in 1974. The Turks could have seen it coming. Ten years earlier, when the Turks had previously contemplated an invasion, President Johnson had written to the Prime Minister, Ismet Inonu, to warn that if Turkish action led to a Soviet invasion of Turkey, NATO would *not* necessarily feel obliged to come to the Turkish defence. He also warned against the use by Turkey in Cyprus of American-supplied arms.

Yet the fact is that in 1974 the Turks did invade the island and—despite the earlier warning—they were both hurt and surprised by the American and general western reaction. They retaliated against the resultant U.S. arms embargo by placing the 24 U.S. defence installations in the country under Turkish control, and so they remain to this day pending approval by the U.S. Congress of a new arms package.

It is generally said, even by those who most regret it, that Turkish-U.S. relations will never be quite the same again. Indeed it is more a question of trying to limit the damage rather than to restore the *status quo ante*. The former could be done quite effectively, though much will depend on whether Congress finally ratifies the arms deal.

Essentially it is a matter of diversifying Turkey's relations within the Alliance. Mr. Suleyman Demirel, the present Prime Minister and leader of the conservative Justice Party, has already recognised the need for this. So, too, has Mr. Bulent Ecevit, the Prime Minister during the Cyprus invasion, although he added in a recent interview with the Financial Times that if he returned to power, he would probably make modest cuts in the size of the Turkish armed forces. Turkey, he said, with its near 500,000 men under arms was "carrying too heavy a burden for NATO, especially at a time of detente."

The armed forces themselves are something of a closed book. They do not go around giving interviews, nor are they encouraged to do so. Yet if there is one constant strand in their attitude, it is probably that they regard themselves as the guardians of the Ataturk inheritance. That means the drive towards a modern, civilised Turkey. Indeed well before Ataturk reform frequently first came to Turkey through the military. In the late 18th century the Ottoman Empire learned considerably from French officers. In the 19th and 20th centuries the paramount influence was German, then ultimately American.

Adjustment

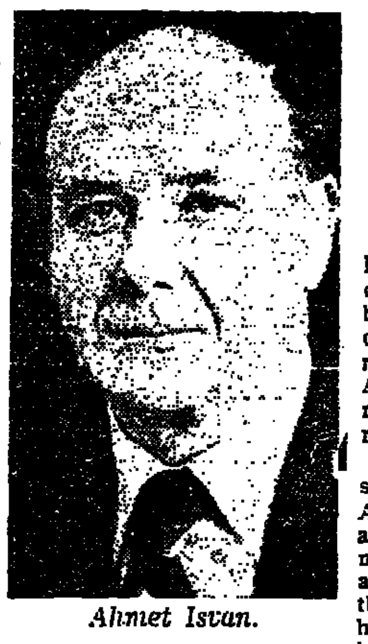
The point is that so long as Turkey wants to go on modernising it is to the West that it will turn. But there will now have to be an adjustment away from the primarily American orientation back to the European. To some extent this is already happening. There may well be a large Turkish-German arms deal in the near future. But the Turks also need encouragement and cannot be taken for granted. That is why the Americans, at least, believe it was so unfortunate that there was a Turkish quarrel with the European Community just at the time the Turks were quarrelling with the U.S. over arms supplies. There was a failure on both fronts: NATO and the Community.

In the long run Turkey's importance even as an electronic platform will decline as the U.S. develops other means of surveillance. And as the past two years or so have shown, the U.S. has been able to live without it. The takeover of the defence installations is officially described as "damaging, but not fatal." The long run, however, may be a long way off, and given the present balance of Europe, Turkey remains a distinctly useful ally with—at the very least—considerable nuisance potential if it is not treated properly.

Malcolm Rutherford

Some leading figures

These profiles were written by Metin Munir, our Ankara Correspondent



Ahmet Isvan.

Ahmet Isvan

"I HAVE BEEN only two things in my life," says Mr. Ahmet Isvan, the Mayor of Istanbul, "a farmer and a mayor," assuring that the former was "vastly easier."

Before he was elected mayor three years ago on the Republican Peoples Party ticket (Mr. Isvan and Mr. Ecevit, the RPP chairman, were classmates at Istanbul's Robert College, and shared the same dormitory) Mr. Isvan grew apples, pears, peaches and cherries on a 500 decar orchard at Yalova, South of Istanbul. Now, he says, he does not even find time on a week-end to go there.

This is not suprising. Istanbul is Turkey's largest city, with an urban and suburban population of 4.5m. people. It receives three-quarters of the tourists coming to Turkey, pays 40 per cent. of total taxes and, with its hinterland, houses 40 per cent. of Turkish industry. But its infrastructure and municipal services are sufficient for half the number of people it is serving. Traffic jams, water and power cuts, huge delays in local and trunk calls are a part of Istanbul's ordinary daily life.

Half of Istanbul's population live in shanty houses, according to Mr. Isvan. Every year 150,000 people stream into the city from the poor country-side townships looking for jobs and homes.

An antique municipal taxation law ensures that the municipality hovers on the verge of bankruptcy, gathering only a quarter of the $250m. which the mayor says is required yearly. Aid from the central Government is often needed to pay municipal salaries.

Mr. Isvan is 52 years old He studied agriculture at an American university and was a farmer for 26 years. A polished man and an intellectual who also dabbled in politics. He says that he listens to Bach and Beethoven in his spare time and that his hobby is photography.

He believes that new municipal taxation law is rquired if the problems of Istanbul and other big Turkish cities are to solved. "If we get money—and the city has the wealth to provide it — Istanbul can become a beautiful and comfortable city," says Mr. Isvan.

Feyyaz Berker

Feyyaz Berker.

MR. FEYYAZ BERKER, the 51-year-old Istanbul industrialist, is pioneering the formation of a "Free Enterprise Council," which will bring together all of Turkey's five employers' organisations, from large landowners to industrialists and small shopowners.

For five years Mr. Berker has been the chairman of the powerful Turkish Industrialists and Businessmen's Association (Tusiad) whose membership includes virtually every tycoon in Turkey. Originally contrived as a club of industrialists to protect free enterprise from the strong left-wing attacks of the early-1970s, Tusiad over the years became a strong and prestigious institution, organising conferences and excellent economic papers and generally doing international public relations on behalf of Turkish private enterprise.

One of the new council's practical aims will be to induce employers to go public and give shares to their employers, as yet unusual practices in Turkey. The overall aim would be to ensure that the free democratic system of Turkey "works healthily," says Mr. Berker.

Mr. Berker, who studied civil engineering at the University of Michigan, controls the Istanbul-based Tekfen Holding, serving as an executive director in the Boards of Tekfen group of companies. These companies include constructing and light bulb manufacturing concerns, whose revenues this year are expected to approach $90m.

The group's latest contract is a $40m. one for a tank farm, pipeline construction and boarding platform building for the Turkish-Iraqi pipeline project terminating on Turkey's Eastern Mediterranean coast.

Tekfen is also planning to build its own composite fertiliser plant here. Mr. Berker said that 75 per cent. of the planned $10m. share holding will be offered to the public, a percentage unprecedented in Turkey.

Necmettin Erbakan

Necmettin Erbakan.

IT IS impossible to take Mr. Necmettin Erbakan, the Turkish Deputy Prime Ministe:, completely seriously. He is prone to unveil monumental industrial development projects without adequate financing. He is in the habit of breaking the ground for scores of projects for which no cash, licensing, know-how or even feasibility studies exist. He wants to loosen the ties with the Common Market and declare an independent state in Turkish-controlled northern Cyprus. If he could have his way he would replace the constitution with the Koran.

Yet since the last elections of 1973 he has been playing a key role in Turkish politics, which is impossible not to take seriously. His party is the only one that has managed to remain in power continuously, first in coalition with Mr. Bulent Ecevit's social democrats and now with a conglomerate of Right-wing parties under Mr. Suleyman Demirel. The composition of the Parliament is such that without Mr. Erbakan it is not practicable to form a Government.

Mr. Erbakan formed the NSP on the eve of the 1973 elections, to replace one which was shut down two years earlier, and it suddenly became Turkey's third biggest party. Its Islamic revivalist doctrine is muddled and not properly formulated. The party's supporters are generally the poor, the pious, the uneducated and the down-trodden—the village grocer and the Imam, the small town lawyer and architect, city shoe-shine boy and the slum housewife.

Mr. Erbakan is aged 49; by profession a professor of mechanical engineering. He is a devout Moslem, attacking great importance to improving Turkey's ties with the Arab and Islamic countries. He graduated from Istanbul University's engineering faculty (Mr. Demirel is said to be among his classmates) and worked in several German factories.

Mr. Erbakan has recently experienced difficulty over the resignation of people in the higher echelons of his party. Opinion among political observers is that at the next general election it will not do as well as in 1973 but will maintain its position as the third biggest party and probably will hold the key to forming a government as well.

Bulent Ecevit

"FOR ME writing poetry is a method of thinking. If I had given up writing and translating poetry I would not be what I am in politics now."

So writes Mr. Bulent Ecevit, the former Prime Minister, and chairman of Turkey's biggest party, in the essay prefacing his recent book of poetry. The volume contains 40 of Mr. Ecevit's own poems and translations from English-language poets including Pound, Eliot, Larkin and Tagore. The book has quickly sold 20,000 copies in two editions and a third impression is being prepared. His poems will probably not place Mr. Ecevit among the immortals of poetry. But they are highly revealing of this unusual politician—his integrity, mysticism and modesty as well as his sharp awareness of the misery of Turkey's widespread poverty.

The earliest poem in the book was written in London in 1947 when the young Mr. Ecevit was a clerk at the Turkish Embassy and a part time university student, and is on Turkish-Greek friendship. When Mr. Ecevit was briefly Prime Minister in 1974 this poem was invoked by the opposition as a proof that the social democrat could not protect Turkish interest against Greece—an accusation which quickly vanished when he sent the Turkish army to Cyprus in July that year.

His poetry aside, Mr. Ecevit remains Turkey's most popular politician and his Republican Peoples Party, social democratic, the only one with any chance at all of coming to power with a majority next year. "The people want us to come to power," he told his party congress last month. "If we don't it will be our own fault not theirs"—a call to the conflicting cliques in his party to lay down their arms until after the elections. Apart from this internal conflict Mr. Ecevit's main weakness is that he has not been effective as main opposition to the Demirel coalition.

Bulent Ecevit.

Halil Tunc

THERE ARE many people in Turkey who started life as farm hands and became wealthy businessmen but only one who rose to become the country's top trade unionist. He is Mr. Halil Tunc.

At the age of 48, Mr. Tunc has behind him 24 years of trade unionism, 14 of these as Secretary-General of the Turkish Confederation of Labour Unions (Turk Is) and two as its Director-General. With about 1.4m. members the liberal Turk Is is Turkey's most powerful confederation of labour unions. Its closest rival is the Left-wing Revolutionary Workers Union of Turkey (DISK), which has over 100,000 members.

Before the next general election in 1977 Turk Is will select a party to support, shedding its traditional above party politics role, thus giving more power (some say weakness) to both the confederation and its leader. There will undoubtedly be painful arguments, with some predicting a split and others a state of no decision, but Turk Is is widely expected to select Mr. Bulent Ecevit's Social Democratic Republican People's Party (RPP) as its horse.

Mr. Tunc says that if this were to happen the RPP would come to power alone: "We have money, militants, cars, organisation and over a million industrial workers with one foot in the villages," he said.

Mr. Tunc was born in a small central-Anatolian town. He had to quit the village institute in his early teens when his father died, and started to work as a farm hand to make a living for his family. Afterwards he moved to Ankara, where he worked as a bus conductor and then in the Ankara beer factory. In 1952 he joined the trade union movement and became the leader of the Tobacco Workers Union. In 1960 he became Secretary General of Turk Is and in 1974 its Director. He is unchallenged.

Mr. Tunc is an admirer of European trade unionism on which he says his confederation is modelled. Turk Is is close to the TUC philosophy, he says, but is a great admirer of the German DGB.

Halil Tunc.

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TURKEY V

Suleyman Demirel

Suleyman Demirel.

IR. SULEYMAN DEMIREL, ie Turkish Prime Minister, is ather like an empire which as passed its zenith.

In 1965, four years after his ieteoric rise in politics, he had d his pro-private enterprise istice Party (JP) to a big ictory at the polls, and then gain in 1969. Two years later e was toppled by the army and 1973 he suffered defeat at ie elections. The JP relinuished its place as the country's biggest party to Mr. Bulent cevit's Republican People's arty (RPP). It is unlikely at the JP will come to power one in the foreseeable future. one are the days of comfortble power for Mr. Demirel.

This is not because of any ck of acumen on his part. At he is vastly energetic, ossesses a phenomenal emory, is probably the best arliamentary manoeuvrer in urkish history and certainly s greatest survivor.

His problem is that the ight wing, which was almost lidly behind him in the sixes, is splintered.

Mr. Demirel's prospects of iiting the Right wing under 's leadership are very slim. or the past 21 months the easant-born politician has been charge of a four-party coalion which includes Mr. rbakan's, Mr. Feyzioglu's anti-ommunist Republican Relice Party (RRP) and Mr. irkes's Neo-Fascist National-t Action Party (NAP). All ree men hold posts as Deputy ime Ministers.

There has been more competion than co-operation in this alition, the former gaining ore impetus with the pproach of the elections, and th no hint of fusion at all.

Well aware of this, Mr. Demirel has been trying to divide and swallow chunks from his Right-wing rivals. He has been partly successful. Some members of the Democratic Party (DP), a JP splinter group, rejoined Mr. Demirel's party and it is quite likely that the DP will disintegrate in the next elections. A similar fate awaits Mr. Feyzioglu's RRP. Mr. Erbakan and Mr. Turkes, however, are expected to hold strong, winning sufficient seats to make a Right-wing coalition infinitely more of a possibility than a one-party JP majority.

The Left-wing has been tolling the bells of collapse for Mr. Demirel for many years and continues to do so, but this is mere wishful thinking. Nothing short of an absolute disaster at the polls or a monumental personal scandal is likely to remove him from politics. Mr. Demirel is a man who never gives up. He has spent almost half of his 15 years in politics as Prime Minister, growing visibly older within the last two, but never has he given a flicker of a hint that he has had enough.

Vehbi Koc

AT THE age of 75 Mr. Vehbi Koc is the doyen of Turkish industrialists, actively at the helm of the Koc group of industries, the biggest in Turkey and among the 300 biggest companies in the world.

More than 50 years have elapsed since he dropped out of school of his own volition to open a grocery shop in Ankara, then a dusty little town 48 hours away from the nearest railway station, and then a trading company. From trading Mr. Koc went on to assembly industry, establishing ties with many American and European companies.

Now he is entering banking and heavy industry through a process of backward integration. Mr. Koc's progress is a virtual mirror of that of the Republic which was first a buyer with no industries, then a country of import substitute assembly industries and which is now going through heavy industrialisation.

Mr. Koc's two new ventures include a plant under construction for casting automotive blocks and agricultural machinery components and $100m. special steel plant, the biggest venture ever taken up by a Turkish private company.

Mr. Koc has recently acquired the control of Garanti Bankasi, said to be numbered among the top five privately owned banks in Turkey and is making plans to modernise and expand it, creating a cushion of cash funds for his 70 companies and ten affiliates.

The Koc name is almost a byword for wealth and success in Turkey. The man leads a modest and frugal life with virtually no luxuries except the comfort of several houses and villas and a small chauffeur-driven car.

Vehbi Koc.

Although he speaks no foreign languages, he keeps himself well informed on world affairs and domestic political developments which he discusses with a remarkable insight.

One of Mr. Koc's most remarkable talents has been his ability to choose young and well-educated people and put them into very senior positions. His vice-president of finance for example, is 31-year-old Erol Aksoy, a Harvard business graduate and a former Smith-Barney employee. The director of his special steel plant, the construction of which will begin soon, and his personnel manager in charge of 26,000 employees are both in their mid-thirties.

Mr. Koc still holds the reins tight and said in an interview that "I am going to work until I die, retirement would bore me." Company sources say that a gradual shift of power is taking place towards his only son, 46-year-old Rahmi Koc, who is now his deputy. The sources say that the old guard will gradually withdraw and that Koc himself will more and more retreat into the position of an advising godfather for the empire he built from a handful of pounds, letting his son Rahmi take over.

Greece is the key to foreign policy

Greece plays a major role in Turkish foreign policy, clouding a myriad other issues—but Turkey is making a big effort to resolve differences with its neighbour state.

IT IS OUR basic policy to estore to Turkish-Greek relaions the climate of friendship and trust of the 1930s and to urn the Aegean Sea into a lake of peace uniting the two ountries."

Earlier this year Prime Minister Demirel finished with hese words a long letter to Mr. Constantine Karamanlis, the reek Premier, in which he alled for a "step-by-step" pproach to the resolution of l outstanding problems etween them, a quarrel etween two strategically import nt Mediterranean countries hich has resulted in Greece's ithdrawal from NATO's tegrated military structure id the closure to the nericans of important military d intelligence gathering base cilities in Turkey. It is a rious dispute, both in bilateral rms, and in its consequences r the Western Alliance, whose uthern European flank is now eatly exposed.

Turkish foreign policy, like at of all countries, is designed advance her own national terest, but in a real sense its ain direction is being dictated the "confrontation" with eece. The implication of the prus dispute is obvious. hile the essentials of the eco-Turkish argument in the gean—over the extent of the ntinental shelf, problems lating to air space control and eek "militarisation" of some ands, notably Rhodes and Kos all pre-date the 1974 Turkish vasion of Cyprus, the tension s been heightened greatly as direct result of it.

Similarly, the U.S. embargo on urkey (now partially lifted) reulted directly in the at least minal shutdown of American ses in Turkey, although it was tended primarily by Congress persuade Ankara to negotiate realistically" over Cyprus. A w bilateral defence pact beeen Turkey and the U.S. is ill awaiting Congressional proval, and there are suspions (more popular than at icial level) in Ankara that esident-elect Carter is "proreek".

Again, while Turkey's current ficulties with the EEC are ainly to do with improved cess—for both agricultural oduce and surplus Turkish anpower—no one should doubt at a principal reason for Tury's ambitions to become timately a full member of the ommunity is precisely because reece wants to join. Equally lthough admittedly there are her factors involved too) nkara's present moves to imove relations both with the viet Union and the Arab world em from internal political essures often voiced simpliically on the basis that "we ould no longer put all our reign policy (or defence) eggs the one Western basket."

In capsule then, the dispute ith Greece is Turkey's real reign policy problem. One or her aspect of it gets priority om time to time, but in a recent interview with the Financial Times, Mr. Ihsan Sabri Caglayangil, the Foreign Minister, acknowledged that relations with Athens are at the core. Dealing specifically with the Aegean, he was moderately optimistic, noting that the two countries had finally agreed on bilateral talks to try to resolve their differences, a "concession" by Mr. Karamanlis since the Greek side had insisted previously on what Ankara called (and criticised) the "internationalisation" of the quarrel, whether through recourse to the United Nations or to the International Court of Justice.

Bilateral

In exchange for agreement on a bilateral approach and in secret, an accord reached lately between respective officials at a meeting in Berne. Turkey is now understood to have undertaken to keep the controversial exploration vessel, Sismik 1, out of disputed Aegean waters.

(This is the ship the Karamanlis Government suggested would be sunk if she entered Greek waters, and the Prime Minister was criticised widely in Greece because he did not order the navy to do just that when, in fact, she did so.)

Much less progress has been made in a series of bilateral talks on Aegean air space, the so-called FIT (Flight Information Region) negotiations, but there has been some useful spinoff. Athens still refuses to give advance notice of a military aircraft flying towards Turkish air space, but there is now agreement for notification of a squadron which, for these purposes, is agreed as four aircraft. (The Turkish military, on the other hand, is suspicious that aircraft approaching one by one "could quite easily form up later for a concerted attack on, say, Izmir.") Mutual suspicion is, after all, one of the few constants in Greek-Turkish relations.

On Cyprus, Mr. Caglayangil is much less optimistic, claiming that while the Karamanlis Government could be reasonable—there is nowadays a noticeable emphasis in the Turkish Foreign Ministry in Ankara on how "statesmanlike" Mr. Karamanlis really is—the real barrier to a settlement on the basis of a bi-zonal federation was Archbishop Makarios in Nicosia. The archbishop, still recognised internationally as President of the Republic of Cyprus, but seen by Ankara now as simply the leader of the Greek-Cypriot majority on the island, wants Turkey to literally give ground in Cyprus, to pull back from the close on 40 per cent. of the island now held by more than 30,000 mainland Turkish troops.

Ironically, Turkey is, in fact, prepared to yield some of the captured territory, but only as part of a new all-round agreement in Cyprus providing for a new constitution, a weak central government in Nicosia and, as is now de facto the case, the virtual total separation of the two Cypriot communities. But there is a real conviction in Turkey, mirrored by a similar but seldom voiced belief in Athens, "that Makarios would never sign such an arrangement." Hence, and for the moment anyway, the Cyprus issue is deadlocked, or as some Ankara-based diplomats say, "stabilised," yet there is a growing feeling at official level that this need not necessarily stand in the way of a meaningful dialogue with Athens over the Aegean question which, in any event, is of much greater direct concern to both Athens and Ankara and to their armed forces.

Realistically, however, it is unlikely that there can be any real breakthrough in negotiations at least until after the Turkish general election, since any Turkish concession now would be exploited for domestic political ends. Indeed, Professor Erbakan, one of Mr. Demirel's Deputy Prime Ministers, has already called for a UDI by the Turkish-Cypriot minority led by Mr. Rauf Denktash. Officially, the Government's answer is to say that policy on Cyprus has been presented to Parliament in an agreed coalition programme and can not be altered unilaterally by one element in the Government. "The creation of a bi-zonal federal state" remains official policy, Mr. Caglayangil told the Financial Times.

On the question of congressional approval of the new bilateral defence pact, there is cautious optimism in Ankara, although there is also apprehension concerning the attitude of the President-elect, coupled with a determination for the future to diversify sources of arms procurement, including a deal with West Germany (subject to agreement on credit terms) for Leopard tanks and with Britain for up to 40 of the Anglo-French Jaguar aircraft.

But for the present, Turkey is effectively locked into the Americans, who have supplied up to 90 per cent. of her military equipment and, given the continued absence of standardisation, Ankara has no other source for spare parts and essential replacements. It is this, from a military point of view, which makes the new defence agreement so vital, rather than the actual value of the financial advantages of the deal.

There is in Turkey a genuine failure to comprehend "why Washington should withhold arms supplies to an enthusiastic NATO partner when she supplies military equipment to some 90 other countries, including Communist Yugoslavia." Some diplomats in Ankara profess to detect a note of "blackmail," to the effect that Turkey might turn to the USSR if the U.S. Congress does not finally approve the defence agreement, but this is rejected out of hand by Mr. Caglanyangil. "We are a European country because Ataturk set us on that course, we are in NATO because we believe in the Alliance, and we are committed to the EEC for similar reasons." But, he noted with perhaps just the gesture of a smile, you can delegate, say to your lawyer, your authority in some areas—buying a house is one—" but not when you are going to be married, and certainly not control over your own defence!"

Pressing

The Soviet Union would certainly like to sign a non-aggression treaty with Turkey, and indeed has been pressing for this since the two countries agreed to exchange a "political document." But having rejected a similar offer from Athens — "a non-aggression treaty is unnecessary as between friends"—there are no indications that such a formal pact will be reached with Moscow, despite Russia's continuing financial assistance to Turkey's industrialisation drive.

On the other hand, there has been a significant increase in economic, trade and mutual assistance deals with the Arab world, and the present Government has agreed in principle to permit the Palestine Liberation Organisation to open an office in Ankara—mainly under pressure from the pro-Islamic Professor Erbakan. Yet Turkey still maintains her diplomatic relations with Israel, a contentious subject with the Arab world which incidentally Arab ambassadors raised directly with the Turkish Foreign Minister at the time of the 1973 war.

The formal reply, according to the Ankara diplomatic circuit, was short and quite interesting. Turkey saw no point in breaking relations just when Israel and Egypt showed some tentative signs of opening a dialogue. It was not Turkey's policy to rupture diplomatic relations once they were established: and, in any event, Turkey alone must decide what is best in her own interests. That she certainly continues to do, and the extent of opposition —whether in formal UN General Assembly votes or elsewhere—does not really make a great deal of difference. To fail to understand this, is to fail to understand Turkish diplomacy.

D.J.C.

Industrial development

Industrialisation is a major priority of all three main political parties as the country aims to become the world's fifth largest industrial producer.

DURING THE past few months, the Prime Minister, Mr. Suleyman Demirel, and his senior deputy Mr. Necmettin Erbakan, have vied with one another as to who should lay the foundation stones for the most, and most spectacular development projects: mostly these have been in the manufacturing industry. On the face of it, this activity would seem to give substance to the announcement that Turkey intends to become the world's fifth largest industrial country by the turn of the century.

Industrialisation is the priority aim of all three of the major political parties and it has been so for more than a decade. There has been a rapid increase in industrial investment since the first of the present series of five year development plans came into force in 1963, and the trend has increasingly been away from the traditional "bricks and mortar" and into industry.

Without doubt, political uncertainties have played an important part where the volume of private sector investment is concerned: such *unforeseens* as the overnight rise in oil prices and the subsequent collapse of the commodity markets of greatest interest to Turkey have *completely* upset the planners' financial estimates and have meant that State sector investment (usually targeted at about 55 per cent. of the national total) has fallen way behind expectations.

Again in the private sector, the continued absence of long-promised legislation for the *establishment* of an organised capital market has inhibited development, in spite of the introduction of medium-term debentures and the efforts of the leading banks and the larger entrepreneurial groups to bring the small saver's money into industry. Periodically acute shortages of foreign exchange have tended to slow down the rate of imports of capital equipment and, conversely, lack of domestic finance coupled with a dearth of technical staff to prepare detailed plans have meant that project aid obtained from the World Bank and other foreign institutions and government has not been used as rapidly as had been hoped.

Outside the oil industry, which is governed by a special law, foreign investment in industry has totalled no more than $200m. in the 22 years since Law No. 6224—The Law For The Encouragement Of Foreign Capital Investment—was enacted in 1954: in the period since February, 1971, only 13 entirely new projects have been approved and only two or three of these have actually been proceeded with. As it stands, Law No. 6224 is sound, even generous when compared with similar *legislation* elsewhere. Lack of restrictions leads to flexibility in its application, but it is unfortunate that successive governments have given different interpretations.

In the medium term 1994 is the target date for Turkey's full membership of the EEC—consideration must be given to recent statements by Professor Erbakan to the effect that "200 major industrial establishments will be added within the next seven years." Precise details of *these* have not been released, but they are understood to cover a very wide *field*, largely concentrated in the heavy industry sector and to involve investment of over £T560bn. (say, $34bn.), roughly half of *this being in foreign exchange*. This foreign exchange element, on the basis of present day performance, is equal to some seven years' export earnings; the total investment figure is more than 2½ times the total of the 1977 Budget Bill.

These projects include some the fourth steelworks, for in*stance* (expected cost $1bn. plus) for which the foundation stones have already been laid; in the same category is the proposed Ankara oil refinery, the second petrochemicals complex (on which work has already started) and "Tumosan's" long planned diesel engine and tractor plant.

During the past few weeks a veritable procession of foreign trade missions has visited Turkey—from Germany, Japan, Italy, France and elsewhere. They have been given details of the "200 projects" and informed that foreign finance is sought for these; Mr. Erbakan has, however, been careful to *say that cooperation from the* West is sought in the form of capital equipment procurement, "know-how," engineering services and licensing agree*ments*. In accordance with NSP policy, he has not encouraged questions about joint ventures and has emphasised the investment role of the State sector and of the "general public." Indeed all the major political parties steer clear nowadays of *any lasting commitment towards* the present private sector—the entrepreneurs who have in fact been mainly responsible for the industrial growth in recent years. In particular, there are, perhaps, a score of private enterprise groupings which are *large by any standards*; some of these control as many as 60 manufacturing and trading companies and most of them have "gone public" to some extent, if only by offering medium-term, high interest (18 per cent.) debentures.

The right-of-centre Justice Party naturally favours private enterprise but it, too, has lately tended to shun the big groups in favour of the medium-sized venture and the truly public company. In its latest policy statement, the Peoples' Republican Party (the largest in the Lower House and in opposition) has revised its *previous views on* nationalisation; party leader Mr. Bulent Ecevit has been at pains to explain that his party believes in national companies, which are guided by the Government but are directly owned by the public. The RPP appears to tolerate private enterprise in its more usual form but not be prepared to allow its unrestricted growth. As regards foreign investment, Mr. Ecevit has said that the need for foreign technologies is accepted but that his party would first seek these on a licensing basis; if these efforts failed, foreign interests would be accepted on minority terms only.

As announced by the Minister of Finance when he introduced the 1977 Budget Bill, the new year's balance of payments forecast is of a deficit of over $1.3bn. after the use of foreign project aid. The Minister said that greater use would be made of foreign money markets in closing this gap, an indication that Turkey will wish to contract Euromarket loans as well as to attract more convertible lira deposits. These latter (which earn the Euromarket rate plus 1.75 per cent.) at present stand at some $1.5bn., of which perhaps one-third has been deposited during 1976. But there is a very real limit to this source and deposits are mostly for 12-24 months; of special relevance is that net gold an[d] dollar reserves to-day represe[nt] considerably less than th[e] amount of these deposits.

The Fourth Five Year Pla[n] (1978-82) is now in preparatio[n] *and is to be published next yea[r]* —almost certainly before th[e] general election due by Octobe[r]. It is in this Plan period th[at] most of the "200 projects" *would be put under way, if n[ot]* completed, and it is therefor[e] useful to bear in mind that th[e] balance of payments forecas[ts] included in the Plan as at pr[e]sent drafted by the State Pla[n]ning Organisation, are reporte[d] to show a deficit for the fi[ve] *years of a total of over $13b[n]* after allowance has been ma[de] for use of project aid.

Expansion

Since few of the "200 project[s]" are for implementation by t[he] private sector *it is clear that* t[he] S.P.O. has allowed in its fo[re]casts for expansion in the sect[or] too; it is also to be suppos[ed] that the planners have pos[tu]*lated a GNP growth rate of* [at] least the 7 per cent. achieved [in] recent years. There are f[ew] observers here who believe th[e] $13bn.-plus can be found [in] *loans and deposits*, which wou[ld] mean that the new Plan cou[ld] not be implemented. It wou[ld] therefore seem that the Gover[n]ment has to decide whether [to] put forward a Plan which it ca[n]not meet or reduce its grow[th] targets (not easily to [be] accepted in an election yea[r]) and thus its anticipated forei[gn] exchange deficit to more ma[n]ageable proportions.

Of course, a bigger inflow [of] foreign investment could e[ase] the situation, at least over [a] period of a few years. It co[uld] well be that a single pa[rty] government—either [J.P. or] *R.P.P.*—would in these circum*stances* decide at last to take [a] more encouraging attitude [to] foreign investment. The att[ach]ment of "strings" would pr[ob]ably not make Turkey und[uly] unattractive; for instance, [less] than half the present foreign investors control [the] joint venture companies t[hey] have established.

A more positive attitude [to] foreign investment would a[lso] encourage the domestic priv[ate] sector, which is generally opposed to the quicker devel[op]ment of truly public compan[ies] even if it is necessarily doub[tful] about the true extent to wh[ich] the public will respond to c[alls] for capital for ventures wh[ich] are directly or indire[ctly] *Government sponsored.*

By a Correspondent

Growing trade share for U.K.

U.K. export efforts in Turkey have led to a 150 per cent. rise in sales from the U.K. in the first nine months of the year.

U.K. EXPORTS TO TURKEY (Jan.-Sept. F.O.B.), £ '000

	1975	1976
TOTAL EXPORTS	102,917	155,310
Of which:		
Chemicals	12,457	24,161
Manufactured goods, classified chiefly by *material*	7,703	*14,015*
Machinery, other than electric	32,312	55,663
Electrical machinery, apparatus/appliances	4,709	10,235
Transport equipment	29,868	42,390
Miscellaneous manufactured articles	1,870	2,283
Total of selected items	88,919	148,747

U.K. IMPORTS FROM TURKEY (Jan.-Sept. C.I.F.), £ '000

	1975	1976
TOTAL IMPORTS	*22,976*	44,596
Of which:		
Fruit and vegetables	7,552	11,359
Textile fibres, not manufactured	7,923	18,517
Crude fertilisers and minerals	1,365	1,378
Petroleum, plus products	—	1,960
Textile yarns, fabrics	2,761	4,332
Non-metallic minerals	65	1,180
Total of selected items	19,566	38,726

THERE HAS been a major advance this year in British sales to Turkey, all the more commendable when you consider that Turkey's imports overall in the first nine months of 1976 increased by less than 5 per cent. In that same period, U.K. sales rose by some 50 per cent. to reach £150m. making Turkey Britain's third best customer in the Middle East after Iran and Israel.

British imports from Turkey have also *increased*: indeed, *that* just about doubled in the January-September period, compared with a 50 per cent. rise in Turkish exports overall, but the nine month outturn was a further advance by £30m. (or 38 per cent.) to £110m. in *Britain's favourable balance* from total bilateral trade of just £200m.

Britain's market share of total Turkish imports for the whole of this year will have risen to about 7 per cent., although there is likely to be some actual reduction in the market share enjoyed by the Nine as a whole. The Community last year provided Turkey with almost 50 per cent. of her imports and *took some 44 per cent. of ex*ports, well over half of which were agriculture produce.

The tables above give a breakdown of the main components *in Anglo-Turkish trade and* shows big advances this year in chemicals, heavy machinery and transport equipment. On the other hand, Britain stepped *up her imports of textile fibres* and yarns, and there has also been a big increase in purchases of fruit and vegetables. However, as one U.K. source pointed out, "there has got to be a limit to the amount of nuts and figs *we can buy*."

One thing is evident according to U.K. embassy people in Ankara and that is that British salesmen are now going out *directly after business* in Turkey. "More and more of them are coming down here—especially to Istanbul—and at last we seem to have had a real breakthrough." It is obvious that the fall in the value of sterling throughout the year has been no disadvantage either, and for the first time in years British prices are more or less competi*tive, particularly when com*pared with the West Germans who traditionally have enjoyed close commercial relations w[ith] Turkey.

But trading with Turkey i[s by] no means all plain sail[ing]. Import licences are rigidly [con]*trolled—for balance of paym[ents]* reasons rather than any un[der]lying reduction demand—the cumbersome bureauc[ratic] *machine often moves at a sn[ail's] pace.* Direct foreign investm[ent] (mostly under Law 6224 —1954 legislation for the [en]*couragement of foreign ca[pital]* investments) has also got [its] problems, even if the basic [en]abling provisions are, at [least] on paper, rather liberal [and] *generous.* Operationally, [how]ever, problems frequently a[rise], not least on the content[ious] question of "*local content*."

In all major assem[bly] *industries, imports of parts* [and] components are permitted [only] when local-content requirem[ents] are met. The Government [fixes] the amount of foreign exch[ange] to be saved by local content [sub]stitution, and this determ[ines] (as a few U.K. companies h[ave] discovered) the maximum v[alue] of parts to be imported. [The] foreign exchange saving is f[ixed] as a percentage of the c.i.f. [cost] of importing the assem[bled] *article.*

One British motor assem[bler] *found, for example*, that [the] decision to use locally-produ[ced] tyres rather than imports [did] not help. He was politely t[old] that tyres were not an inte[gral] *part of motor assembly.*

D.J.

Coping with energy needs

Next month will see a new step in efforts to meet the fast rising demand for oil. Developments in petrochemicals are continuing but mining is beset with problems.

OIL

JANUARY the first Iraqi :de oil will start flowing ough the 20-inch pipeline wn to Turkey's eastern diterranean coast, marking a ». step in Turkish efforts to ure a steady supply of oil its fast-rising home demand. e 981 km. long, $600m. ject is designed to pump n. tonnes of crude a year, h an eventual capacity of n. tonnes. Two-thirds of the iual throughput will be pped to Europe from the Bay Iskenderunhile. Turkey will :p the remainder for its own ds.

The supply of oil is not a jor problem for Turkey, ich is well supplied by the lf States and Libya through ateral deals. But since the om in oil prices in 1973, rkey's oil bill has been con-uously increasing and is pected to reach $1bn. this ar.

Turkey is not self-sufficient in and local production is imarily carried out by the ate-run Turkish Petroleum mpany (TPAO) and foreign ms such as NV Turkse Shell, milton Brothers Turkey, Marathon Petroleum Turkey, Turkish Beech Petroleum, Off-shore Exploration, Turk-Kan, BP Overseas Refining and Mobil. Some of these are in exploration refining or extraction as well.

Crude production totalled 3m. tonnes in 1975 and nearly 11m. tonnes had to be imported through BP, Mobil Oil and through bilateral arrangements from Arab countries. Libya has a standing agreement with Turkey to deliver 3m. tonnes a year.

According to long-term projections, Turkey will have to increase its refining capacity at an average annual rate of 8.2 per cent. by 1990. New refineries are being planned in addition to the four existing ones: the Turkish-owned Batman, Izmir and Izmit refineries and the foreign-owned one (BP, Shell, Mobilobsrin refinery).

Turkey's fifth oil refinery, near Ankara, which is being financed by the Romanians, is under construction, and is designed to cover the needs of central Anatolia. It will cost $350m. The Romanians have pledged $200m.

The establishment of a joint Turco-Iraqi refinery in Iskenderun with a 10m. tonnes capacity at a cost of $500m. is agreed upon in principle, but no project studies have yet been conducted.

TPAO plans to build a sixth refinery, on the Black Sea, with Russian credit, and has plans for another two with 10m. *tonnes/year capacity each.* Expansion of the current TPAO-owned refineries is also in progress. According to TPAO's long-term investment plan, more than $4bn. will be needed between 1977 and 1995 to increase the capacities of the existing refineries and build new ones.

PETROCHEMICALS

The development of the Turkish petrochemicals industry has been one of the most important targets of successive development plans. This sector is under the virtual monopoly of the State-run Turkish Petrochemicals Industry Corporation (Petkim), which is pursuing an ambitious long-term investment programme to make Turkey self-sufficient. Production and consumption estimates indicate that ethylene and polyethylene production by Petkim are sufficient to meet only 30 per cent. of local demand.

Turkey's only petrochemical complex is situated at Yarimca, Izmir. A second complex under construction near the Izmir refinery, will cost an estimated $950m. Contracts for the second complex are being awarded on a piecemeal basis. Several Japanese and British firms have already won contracts and pledged loans to help meet external costs. Planned third and fourth petrochemical complexes will cost $2.3bn. and are scheduled to go on stream by the mid-1980s.

MINING

The Turkish mining industry is beset by many problems: archaic laws not conducive to the expansion of the mining industry; lack of integration and capital resources to build vertical industries and shortage of visible resources are among the biggest.

The mining bureau, a State agency, is the sole body that grants concessions and supervises mining activities. It is controlled by Etibank, Turkey's major State concern in the mining field and the Mineral Technique and Research Institut (MTA).

Turkey is one of the world's leading producers of chromite, boron compounds, lignite, copper and aluminium. Steel production, however, is faring poorly, although massive efforts are under way to build a $2bn. steel mill near Ankara. Turkey's iron ore reserves are said to be 792m. tonnes. Turkey rates as third in the world in chromite reserves and also possesses large aluminium and copper deposits.

Orkun Ajpinar

The petrochemical complex at Yarimca

Rise of the unions

Although trade unions are moderately new to Turkey their arrival has been accepted quite peacefully.

JST AS it was a late-comer the modern industrialisation ocess and the world of parmentary democracy, so Tur-y is quite new to unionism the modern sense, though ere were labour organisations d Marxist activities even in e Ottoman era.

To become one of the found-g members of the UN at the d of World War Two, Turkey d to pass into a multi-party rliamentary regime in 1946. ong with this came institu-ns called for by such a gime. On June 5, 1946, the sociations Act was amended lift the ban on the founda-n of associations on a class sis and trade unions began to pear. The ban on political rties had already been lifted d the Republican People's rty had lost its over 20-year onopoly in Turkish political e. The newly founded parties luded Marxist ones, the Tur-sh Socialist Labourers and asant Party set up by the e-time Secretary General and Chairman of the outlawed Turkish Communist Party, Sefik Husnu, and the Socialist Party.

The budding trade unionism soon became the centre of the Marxist activities of these two parties and in 1946 they and the trade unions were closed under Martial Law.

However, the realities of the age were pushing Turkey towards Western democracy and whether or not there was a danger of infiltration, unionism had to be freed. This was done with the Trade Unions' Act, passed in 1947 with a number of restrictions. Trade unions were not allowed to deal in politics. Neither did they have the right to strike or conduct collective bargaining. The then President Ismet Inonu claimed that two experts from Britain were instrumental in the preparation of this Bill, after examining Turkey's conditions on the spot. And despite its restrictions, this legislation became the basis of modern trade unionism in Turkey.

The campaign for the 1950 general elections—the first free elections which ended 27 years of one-party rule—brought the question of collective bargaining and the right to strike on to the political scene. While the opposition Democrat Party led by Celal Bayar and Adnan Menderes pressed for the right to strike, President Inonu's RPP strongly opposed it, only to switch roles and convictions when they swapped political positions with the elections.

Thus 1950-60 was a period of trade unionism without the right to strike in Turkey. This did not, however, preclude the Turkish labour movement's taking root in the young Turkish democracy and with the foundation of the Confederation of Turkish Trade Unions (Turk-Is) in 1952 the Turkish labour movement gained a strong organisation.

The 1961 constitution (after the downfall of the Menderes regime) legislated for the right to strike and this was given with the Trade Unions and Collective Bargaining—Strikes Act in 1963 when the present RPP chairman, Bulent Ecevit, was Minister of Labour.

Legislation

These two pieces of legislation introduced almost all of the liberal provisions enjoyed by the labour movements in other modern western democracies although communism is still banned in Turkey.

The strengthening of the democratic process and its institutions over the last 30 years in Turkey, however, has made this ban meaningless and anachronistic. In fact, the ban on communism does not prevent the existence of five Marxist apolitical parties and hundreds of Marxist and Maoist associations. There is also a Marxist trade unions' confederation, the Revolutionary Workers' Union of Turkey (DISK), founded in 1967 by a splinter group from Turk-Is.

The main difference between these two big labour confederations is that while one of the principles of Turk-Is's charter calls for "the realisation of the principles of the constitution" and working for "labour peace and harmony with an integration of labour and management." Disk's programme is prepared on the basis of "class struggle and class distinction."

Another big difference is that while Turk-Is rejects involvement in active politics, sticking to the American labour movement's "supra-politics" principle, Disk scoffs at this as "yellow unionism." The former is affiliated with the Brussels-based International Confederation of Free Trade Unions and there are claims, but no proof, that the latter has clandestine relations, if not official ties, with international communist organisations.

As for a comparison of the strengths of these two large labour confederations, the figures vary according to who is speaking.

The 1975 economic report states that in 1974 there were 1,799,998 workers in Turkey covered by social insurance. These workers are organised into trade unions most of which are independent and small, but the bulk of unionised workers is in big work-branch unions or federations affiliated with one of the two big confederations.

Turk-Is claims 1,350,000 of the 1.6m. and puts Disk's strength at between 80,000 and 100,000 at the most. Disk lays claim to 370,000 to 400,000 members and airs doubts about Turk-Is's claim to 1,350,000. Objective assessments made by impartial observers indicate, however, that Turk-Is's figures are closer to reality.

Because Ecevit's RPP is trying to capture the management of both confederations there is great strife in both.

However, Disk, led by Senator Halil Tunc, is less disturbed than Disk, led by Kemal Turkler, as it holds to its "supra party" policy, although here too the pro-RPP unions are pressing for the abandonment of this principle.

All in all, the Turkish labour movement has, in its relatively short life, enjoyed the advantages of the late-comer and has, by and large, managed to avoid the riots and tragedies seen at the birth of American and West European unionism.

Vedat Uras
Editor, The Pulse

Road improvements badly needed

Turkey still has a long way to go before its road system reaches international standards. Arguments are raging about who should pay for the much needed *modernisation of the system.*

LAST MONTH'S earthquake in Van, Eastern Turkey, was most revealing of the inadequacy of the Turkish communications network, particularly roads.

Six of the 570 villages in the mountainous province could only be reached five days after the disaster and contact was eventually made with them by Army helicopters as there were no roads.

Van airport had to be equipped by the Americans with portable runway lights and ground to air communications before its use could be extended from the short daylight hours to 24 hours a day. The railway was unsuitable for emergency transport. Trains cover the 1,200 kms. between Ankara and Van in 30 hours and lorries take more than 20 hours. Reporters in the region said that it took them about three hours to travel from Muradiye to Caldiran, the two ruined townships, a distance of less than 100 kms.

The communications network elsewhere in Turkey is better but not sufficient for demand or up to European standards. Of Turkey's 770,000 sq. kms., half lies above 1,600 metres.

In the East, bordering the Soviet Union, Iran and Iraq, the mountains rise to over 5,000 metres.

The Anatolian Plateau in the centre is bordered by the northern Anatolian range overlooking the Black Sea and the Taurus Mountains in the south.

This large size and rugged terrain, coupled with harsh winter conditions, with heavy snowfall in most parts, makes construction of surface transport network difficult and expensive. The situation is aggravated by the presence of about 60,000 rural settlements which are virtually impossible to service by asphalt roads for a country of Turkey's financial means.

The Government is acutely aware of the overall inadequacy of the network. Mr. Demirel, the Prime Minister, has confessed that the Ankara-Istanbul highway, the country's busiest, is handling five times as much traffic as it was designed to carry. He was not exaggerating. The 600 km. single track road is in parts as jammed as the narrow cobbled streets of Istanbul.

Mr. Erbakan, the Deputy Prime Minister, said: "The highway, railway and maritime communications, the airports and harbours, indeed all communications networks are very inadequate. We must build these quickly in order to meet future demand."

He announced that the government has plans to build or expand 16,000 km. of roads (a length nearly equivalent to a third of all surfaced national and provincial roads), improve the railways network, build 37 airports (including 21 feeder lines) and construct or improve ten harbours.

There is no doubt that all of this is badly needed and that in terms of communications Turkey is like a grown up man wearing the clothes of a boy. But a monumental amount of financing is required to implement this plan — the Italian company Societe Per Condotte Acque, which proposed to lead an international consortium to finance and build a road between Turkey's European and Iranian borders estimated the cost at $5.5bn. — a sum more than twice the amount of planned exports for 1977 and twice the amount targetted to be spent on communications under the third five year development plan which ends next year.

In the last few years Turkey's communications problems have gained international importance with the dramatic growth in transit traffic shuttling between Europe and the Middle East. The already congested Turkish roads came to be used by huge lorries carrying goods to the oil rich countries south and east of Turkey.

In 1975 over 70,000 international lorries crossed Turkey, nearly 200 per cent. more than the previous year, carrying 1.5m. tonnes of goods.

Turkey is not pleased with having this role of a modern silk road thrust upon it for the obvious reason that its roads are insufficient for its own needs let alone for those of others.

The Government, which spends an average $60m. each year for road repair and maintenance claims that 70 per cent. of the damage is being inflicted by TIR juggernauts.

In order to make up for this loss and finance the expansion of new roads the Government this year imposed a series of new transit fees on international lorries. This aroused the anger of Iran, which receives about 80 per cent. of the traffic travelling through Turkey. The Shah froze a $1.2bn. loan for Turkey earmarked mainly for communications improvement projects.

Work is underway on a compromise settlement which will reduce the transit feet burden on Iran and give Turkey access to the loan.

It is clear that with congestion in Gulf ports and high import demands persisting, Turkey will continue to be a major transit route. In fact there are no other short-term feasible alternatives. Weather conditions in the Soviet Union are not favourable and S[illegible] and Iranian railway gauges dissimilar. Syria and Iraq suffering from congestion t[illegible] selves and the Lebanon is of the question because of war.

Thus it appears to be in interests of both Turkey the international commu[illegible] that something is done improve the Turkish road work.

Turkey cannot and will pay for the cost of impro[illegible] transit roads, according to Ministry of Communicat[illegible] The sum in question is sa[illegible] be $4.5bn. for highway and way improvement and inc[illegible] ing the capacity of the T[illegible] zon, Samsun and Hopa har[illegible] on the Black Sea and I[illegible] derun on the Mediterranea[illegible] Turkey were to get nothin[illegible] exchange for accommod[illegible] transit traffic then this t[illegible] should be halted, the Min[illegible] said.

"If the buyers and selle[illegible] the merchandise transi[illegible] through Turkey want to d[illegible] more comfortably they make a contribution to expansion of the commu[illegible] tions network," said Ministry.

Traffic waiting to cross the Bosphorus Bridge.

The EEC connection

Turkey's *association agreement with the* European Community has been in force for many years. At present it is clouded by the problem of freedom of movement for workers.

TURKEY'S links with the EEC *go back almost to the very* foundation of the Community. Within little more than two years of the signing of the original Rome Treaty, Ankara had applied for a form of association, although it took another four years before what amounted to a pre-association agreement was signed. In that sense, although this time for *obvious economic rather than* political reasons, Turkey had to serve a sort of apprenticeship in much the same way as (owing to Anglo-French and Scandinavian opposition) it had to accept in 1950 an interim relationship with Nato pending full membership of that body.

The point is made here merely to underline Turkey's established and genuine commitment to Europe, and official *criticism in Ankara of the* Community's failure—or rather, that of the governments of the Nine—to agree on a "restructuring" of the association agreement is made almost more in sorrow than in anger. There are right now difficulties on a number of fronts, but the politically most sensitive issue concerns Article 36 of the additional protocol which stipulates that freedom of movement for workers between Turkey and the Community is to be secured by progressive stages between December 1 last and December 1986, or over a similar ten-year period as was necessary to achieve freedom of movement for workers within the original Community of Six.

The Commission, for its part, suggested last May that the first significant measure towards realising this objective should be taken at the very beginning of the ten-year period, but the Council of Ministers failed to agree, and the December 1 deadline has come and gone. In reply, the Turkish Government has threatened to "freeze" the association agreement until (in the words of Foreign Minister Caglayangil) Brussels honours its obligations"

This is by no means the sole dispute between Ankara and Brussels. The Turkish Government is demanding better Community access for its agricultural produce, claiming that preferences since afforded to other Mediterranean countries have eroded the value of agricultural concessions made orginally to Turkey. Again, Ankara wants to be free to afford greater protection to its developing industries although the Government appears to have dropped its earlier insistence that it should be left free to reintroduce unilaterally customs duties and quotas whenever it considered this to be necessary.

Irrelevant

Yet the freedom of movement for Turkish workers is still the big issue, even if the Ankara Government appreciates full well that such movement is irrelevant if actual jobs cannot be secured, as is the case at present, given that the Nine have more than 5m. unemployed. Turkey's present jobless total is put officially at some 2½m. *but is certainly higher in* fact. It is, said an EEC official in Ankara, with understatement, a "delicate problem." There is no doubt but that the Commission itself is disappointed over the failure—now seemingly inevitable, given the Christmas recess—to arrange for an association council meeting in Ankara as scheduled before the end of the year.

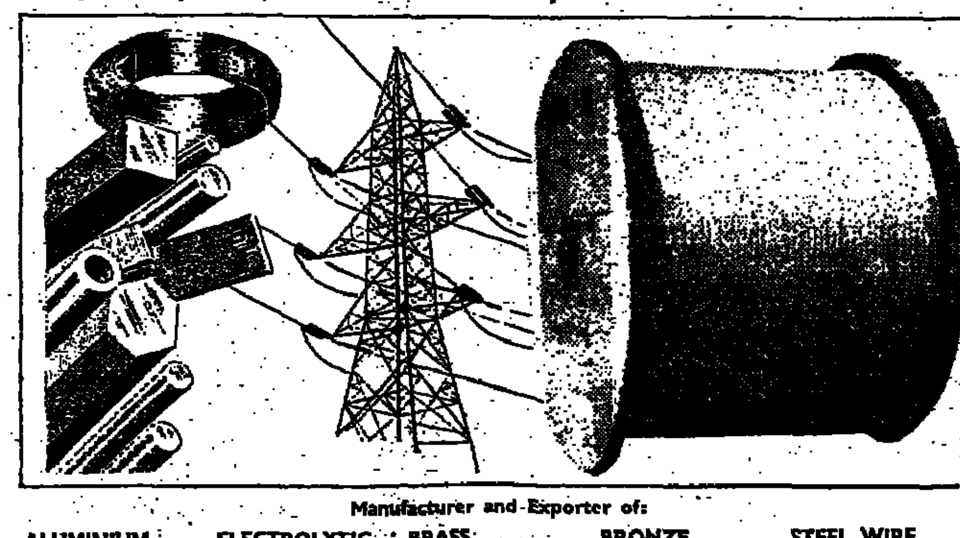
From the viewpoint of the Ankara Government, the issue is vital. Not only are workers' remittances from abroad a vital (if lately declining) element in the balance of payments; it is acknowledged freely that there is no question of eliminating unemployment in Turkey even by the mid-1990s on the most optimistic assumptions of the planners. Thus, a continuing European outlet is seen as being essential, both in economic and social terms, if not immediately then at least when "the overall economic situation in Europe improves."

The current suspicion in Ankara, again to quote Mr. Caglayangil, is that the Community wishes to backpedal somewhat on its commitments: "Would say that the Community is rather inclined to compensate *for the lack of fulfilment of its* obligations by according Turkey more flexibility in the fulfilment of those obligations falling upon it. We cannot accept such an understanding."

That is not to say that Turkey is not insisting on some concessions itself. "Since the last world economic crisis," said the Foreign Minister, "Turkey also has faced problems relating to its industrialisation. The obligations of Turkey arising from the additional protocol should be in line with its actual economic conditions and flexibility should be brought to this field. On the other hand, because of the deficit in the foreign trade balance with the Community, the means of the association agreement should be exploited to the maximum in order to make it possible to realise for the partners the objectives of the association."

Yet the Ankara Government is hopeful that agreement with the Community will be possible, and an initiative to break the present deadlock is expected from London after January 1 when Britain takes over the Presidency of the Council. Prime Minister Demirel, for his part, has a general election campaign to fight next year, and he is unlikely to ignore the prospect of getting the $380m. which Brussels has already earmarked for Turkey as project aid.

D.J.C.



Bumper harvest helps out

This year has been the best crop season in Turkish history. Fine weather, as well as better use of fertilisers and increased mechanisation, have been the main contributors.

TURKEY, WHICH has the biggest cultivable land area in Europe after the Soviet Union and France, is enjoying an excellent harvest for the third consecutive year, the result of a combination of favourable weather conditions and increased modern inputs. The overall production of major commodities is expected to be 13 per cent. higher than in 1975, making 1976 the best-crop year in Turkish history.

This high production level, coupled with growth in world demand for Turkish cotton and tobacco, has given a boost to agricultural exports, which constitute an average of about 60 per cent. of annual totals: agricultural exports amounted to $812m. in the first half of this year alone, surpassing total agricultural exports in 1975 by over 2 per cent.

Raw cotton and tobacco exports, traditionally the biggest items on the list, in the first nine months doubled compared with the same period last year, the former to $385m. and the latter to $226m.

With the 1976-77 export season well under way, Turkey has sufficient stocks of tobacco, filberts, raisins and olive oil for export.

Some 180,000 metric tonnes of raw cotton stocks are expected to be available for export this season. This is considerably less than the stocks earlier this year which decreased due to strong local and foreign demand.

Overall cereal production in 1976 is officially expected to be 10 per cent. more than last year. Wheat production is officially estimated to be 15.7m. tonnes, 19 per cent. higher than last year's actual output and if realised will set a new record.

Foreign observers believe the expectation to be too high.

Due to this excellent harvest stocks are at their highest and the government says that two million tonnes of wheat are available for export.

Sales, however, have been disappointing for the government which underestimated the low international demand for wheat. Several tenders opened by the government met with little interest and the prices offered were considered to be low.

Inadequacy

Two points are worth mentioning in this connection: first, the cumulative good harvests have aggravated the inadequacy of the silo capacity, in particular for wheat, increasing the amount of cereals stored by burial in large underground holes. Second, Turkey's wheat sale efforts are being hampered by the fact that the government is in trouble with Continental Grain and a few lesser companies for having opted out of wheat purchases it contracted to make in 1974.

The Ministry of Agriculture say that $50m. worth of cereal exports were made by the beginning of September and shipments were continuing.

The barley production is estimated at 4.5 million tonnes, or the same as last year.

An overall increase is expected in industrial crop output as well, with exportable surpluses in many commodities.

Cotton is expected to be 467,000 tonnes, about the same as last year, tobacco 200,000 tonnes (3.5 per cent. higher) and sugar beet 7.9m. tonnes (13.7 per cent. higher). Sunflower seed production will retreat by 4.4 per cent. compared with last year to 467,000 tonnes.

Output of sultanas, figs and hazelnuts, of which Turkey is the largest producer, are also predicted to be good. According to official figures hazelnuts production will be 300,000 tonnes (a drop of 5.4 per cent.), figs 175,000 tonnes (same as last year) and grapes 3.2m. tonnes (18.3 per cent. higher).

Olive output will increase by a substantial 78 per cent. to one million tonnes and pistachio nuts by 68 per cent. to 10,000 tonnes.

Turkish experts say that the bumper crops of the last few years are largely due to favourable weather conditions, particularly in the case of cereals, but that the growing injections of technology, with higher inputs of irrigation, fertilisers, better strains of seed and mechanisation, are also positive effects.

These experts believe that the harvest could not have been so excellent this year, despite the favourable weather conditions, had it not been for these inputs. Certainly, in a year when weather conditions are not favourable this theory can be put to the test.

A statement by Mr. Korkut Ozal, the Minister of Food, Agriculture and Animal Husbandry, indicates that the increase rate of these inputs is quite substantial.

"In 1976," said Mr. Ozal, "utilisation of better strains of seeds, saplings and stud animals had increased by over 20 per cent. compared with the previous years." The use of fertilisers in the same period grew from 3.7m. tonnes to 5.5m. tonnes and preparations were under way to raise this to 8.5m. tonnes next year. The number of tractors sold to farmers was 52,000 in 1975 and 75,000 in 1976. The Minister said that 100,000 tractors would be made available for sale next year from domestic production and exports.

Some Turkish economists believe that the obvious export potential of agriculture is being depressed by unfavourable price conditions at home. These maintain that the Turkish lira is overpriced and argue that this, coupled with high domestic demand, is reducing the price attractiveness of Turkish crops abroad while tempting producers to sell at good prices at home.

These experts point out that, for instance, that the market gardening sector, which is being encouraged with special projects and low-interest loans, is now almost entirely directed towards meeting local demand as a result of this phenomenon. Turkey must adopt a more realistic foreign exchange policy, adjusting the value of the lira at a more realistic level so as to increase competitiveness abroad and curb demand at home.

Misfortune

There is no indication that the Government is contemplating such an overall adjustment.

One basic misfortune of Turkish argriculture has been that development plans have put the emphasis on industrialisation despite the fact that the agricultural sector is the biggest employer, GNP contributor and exporter.

The percentage of investment foreseen for agriculture under the third five year development plan which will end next year is 11.8 per cent. compared with 37.7 per cent. for industry and 50.5 per cent. for services. Agriculture is more prominent than this concentration of capital. Agricultural exports are expected to average 51 per cent. under the third plan period, despite the superior priority awarded to industry. Employment-wise the sector's importance is greater: experts say that when the fourth five year plan is implemented in 1978 some 58 to 60 per cent. of the population will be making their living from agriculture and agricultural activities.

There is no indication that the emphasis will change in any significant degree under the fourth five year development plan which is expected to be more industry-oriented than past plans.

M.M.

Work in progress at a cotton yarn plant in Bursa.

The cotton success story

Cotton is Turkey's major export earner, although its cultivation is still too susceptible to international price movements. New markets for cotton products are being actively sought.

COTTON IS one of the agricultural success stories of Turkey. In the past 22 years the area under cotton cultivation has increased by 9 per cent., while output has grown by 400 per cent., from 145,000 tonnes in 1953 to 598,000 tonnes in 1974.

Cotton is Turkey's biggest single export item, constituting an average 14 per cent. of export revenues. It is of significant domestic importance as well: cotton contributes 80 per cent. of the raw material used by Turkey's fast growing textile industry, 35 per cent. of the edible oil consumed, and comes after barley as animal fodder. About 4m. of Turkey's 40m. population make a living from this crop, whose contribution to the national income in 1975 was about $700m.

The Agriculture Chambers Union of Turkey has suggested that the Government lends money for irrigation, particularly in south eastern Anatolia, and introduces better pest control so that land under cotton cultivation can he increased to 1m. hectares and output to 750,000 tonnes per year. The third five-year development plan ending next year, anticipated higher production through increased application of fertilisers, with a target of 650,000 tonnes, with domestic industry consuming about 350,000 tonnes.

Cotton cultivation in Turkey is highly susceptible to international price fluctuations. In 1974 the area that came under cultivation grew by about a quarter compared with the previous year when prices were high. In 1975, on the other hand, acreage dropped by a similar percentage when prices declined, disorganisation in State purchases occurred and the white fly inflicted serious damage.

In 1976 cotton output amounted to 470,000 tonnes and cultivation to 581,000 hectares, the former recording a 2 per cent. decline and the latter a 13 per cent. decline compared with the previous year.

According to estimates acreage of cotton in the 1976-77 season is expected to increase by over 200,000 hectares, in response to the current favourable price conditions.

Export sales were good this year due to high international demand and are expected to reach 69,000 tonnes. Stocks, which were as high as 500,000 tonnes in 1974, declined to 200,000 tonnes in 1975 and stood at 50,000 tonnes in May this year.

Domestic cotton consumption has increased rapidly in this decade with the growth in the cotton yarn and textile industries. The Agriculture Chambers Union estimates that when plants planned and under construction become active at full capacity, consumption will soar further, possibly accounting for the total domestic output of cotton. The union has therefore urged the Government to find new markets for Turkish yarn and textiles in markets in the Middle East and Africa, so that the crisis which hit these branches in 1974 will not be repeated.

M.M.

Earthquake takes its toll

The recent earthquake near Van, which killed over 5,000 people, was followed by an impressive relief operation. But there is a need for better co-ordination of relief work.

TURKEY IS one of the countries of the world most repeatedly and seriously affected by earthquakes. Faults and folds of recent origin are widespread features of the country's geological structure and according to geographers, movements still continue along innumerable lines of tectonic weakness.

The worst earthquake in this century occurred in 1939 in Erzincan, killing 20,000 people. Within the past few years earthquakes occurred in Varto, Bingol and last month in Van, with relatively lower loss of life. Minor shocks have been felt in Izmir, Istanbul and Ankara, the state's most populous and industrialised urban centres, a warning that no part of the country is immune from this danger.

The last earthquake, near Van, killed over 5,200 people, destroyed 142 of the 570 villages in the province and devastated two townships.

There were two fortunate coincidences in the Van disaster. One was that the earthquake, measuring a severe 7.6 on the Richter scale, occurred in the afternoon when the majority of the population was outdoors and awake. If it had occurred a few hours later the death toll would certainly have been much larger. Secondly, temperatures were above the seasonal norm, eliminating the danger of a big loss of life due to heavy snowfall and virtually constant night-time sub-zero temperatures.

The third favourable development—fortunately not coincidental—was that the United Nations Development Programme (UNDP) in Ankara co-ordinated foreign aid to the earthquake victims with excellent results. UNDP, which has done similar work in Turkey on a smaller scale in the past, got in at the beginning this time.

The organisation held continual meetings with the Turkish authorities and compiled lists of urgently needed items among potential donors in Geneva. The result was very gratifying. Mr. Erling Dessau, the UNDP deputy resident representative in Ankara, said that international response was "fantastic." The type, timeliness and quality of the aid sent was "the best so far" in response to a Turkish earthquake disaster—particularly from the U.S. and West Germany. Less than a week after the disaster 200 planeloads of supplies had been sent to Turkey from 31 countries and various international organisations.

The consignments, due to good planning, did not include items like corned beef, cheese, butter and pineapple chunks which came in great quantities after previous earthquakes and which ended up on the black market. Turks are pious Moslems and will not eat pork or that which they suspect may be derived from pigs. Pineapples are not grown in Turkey and are as rare a luxury item as caviar.

Conversion

What was probably the most impressive aspect of the whole international relief operation was the swift conversion of Van airport, the closest to the disaster zone, from daylight only to a 24 hour a day operation. This was done for the Turkish Government by the U.S. through UNDP's mediation.

Twenty-four hours after the Americans arrived on the scene they had installed portable runway lights, and ground to air communications, and Van airport's capacity had increased five-fold.

Turkish radio and television were also used. On occasions of national disaster these tend to cancel their programmes to play sombre Turkish classical music. After the Van quake this happened again but the music was frequently interrupted to announce appeals for blood, clothing and money. The result, in the words of the UNDP, was "staggering." People queued up at blood donation centres and in front of Red Crescent centres to give clothes and other items. Literally scores of organisations were established to collect money and millions of lira were donated in a matter of days.

However, the overall result showed that Turkey needs a more effective, quick and better organised and co-ordinated relief agency.

Clearly, long term planning is required to minimise deaths and damage from earthquakes in Turkey. After every major jolt the need for such a plan becomes a much talked about topic. But as soon as the dust settles and public attention turns away from disaster areas these disappear until a new tremor.

The problems are admittedly formidable. Turkey has nearly 60,000 rural settlements where the majority of the population live in roadless villages of mud-brick homes notoriously unresistant to earth tremors. Turkey is not rich enough to put all these people into modern homes. This will happen with the slow spread of prosperity.

But the alarming thing is that even modern buildings in the big cities are not built strictly according to the rules of earthquake architecture. The quality of buildings is very low. Building rules are slack and control even slacker, so one cannot even talk about a gradual shift to stronger structures as new houses are being built.

Buildings are known to have collapsed of their own accord even in places like Ankara and Istanbul where one would have thought control would be stricter. There is no guarantee that if a severe earthquake of the intensity of that of Van struck a highly populated industrial area the result would not be catastrophic.

M.M.

Relief work after the Van earthquake last month.

Tourist potential

Despite its great potential, tourism's contribution to Turkey's foreign earnings remains low. Huge capital investment will be needed to improve this situation.

TURKEY'S NET gains from tourism in the first seven months of this year are indicative of the state of the industry—almost exactly $3m.

The gross earnings were $85m., 11 per cent. less than the figure achieved in the comparable period last year and only 6 per cent. of the hard currency made from exports in the same period of this year. The number of tourists who visited Turkey in the first seven-month period grew to about 1.2m.—7.4m. more than the same period of the previous year. The increase in the number and drop in revenue show that tourists have tended to spend less time in lodging in Turkey or the number of excursionists grew.

Turkey offers a vast range of opportunities and pleasures for tourism. There are 1,500 km. of long and varied seashores which are the least polluted in the Mediterranean. There are high mountains, lakes and rivers which offer skiing, hunting and fishing. The number of thermal and hydro-thermal resources number over 1,000. The number of recorded historical and archaeological sites is a stunning 60,000—equal to the number of rural settlements in actual habitation—ranging over 15 civilisations from the Neolithic to the Ottoman.

In all, these resources are superior to any other country in the Mediterranean both quantity and variety-wise. But the Turkish tourism industry is as yet small and underdeveloped, receiving only about 2 per cent. of the visitors to the Mediterranean basin and makes no significant contribution to the GNP.

Tourism has not been a priority sector under development programmes—investment reserved for tourism under the third five-year development programme ending next year was 1.6 per cent.

The State has taken on the duty of developing infrastructure in priority regions, operating experimental facilities and providing loans through the tourism bank whose capital has been increased several times.

The State has also provided incentive measures to promote both Turkish and foreign investments.

Foreign investors, for example, are guaranteed the transfer of profits, capital, loan repayment and interest rates. They can make use of blocked funds for their investments. Other measures, from which both foreign and Turkish investors can benefit, include corporate tax exemptions for temporary periods starting from five years. Holders of tourism licences are also exempt from building and land tax for a period of five years and there are other incentives.

However, although interest in both Turkey and abroad is showing flickers of revival, generally speaking neither foreign nor Turkish capital concentration is up to expectations, as a consequence. In terms of both facilities and revenue, tourism has consistently lagged behind development targets, despite the increase in tourist arrivals and the rapid expansion in domestic tourism.

Deficiency in communications, shortage of accommodation suitable for mass tourism and lack of expertise are the main bottlenecks apart from the low capital investment which is the root of the problem.

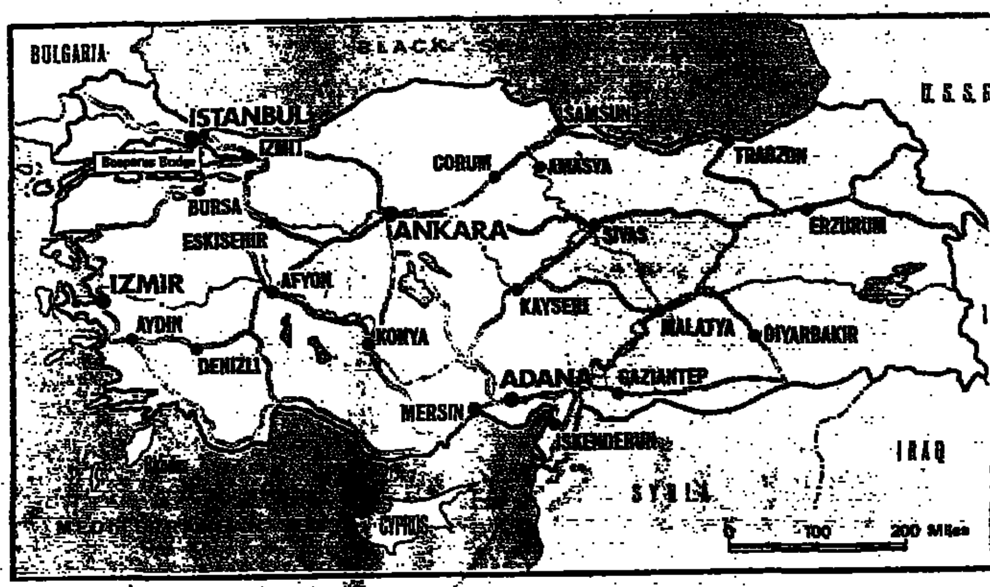
Istanbul is a typical example. This city of over three million people receives three-quarters of the tourists coming to Turkey but is chronically short of accommodation. A Sheraton, an Intercontinental and a hotel run by Wagon-Lits, the Etap, have recently opened but many more hotels of similar quality are required. Istanbul's Yesilkoy Airport and the Istanbul harbours are nowhere [near] European standards from [the] point of view of capacity [and] standards of services provi[ded]. There is not even a de[cent] tourist map and guide [of] Istanbul.

Because of these probl[ems] Turkey has been unable [to] attract and deal with [mass] tourism like the other [major] Mediterranean countries. [A] third of tourists visiting Tu[rkey] are excursionists staying [less] than one day. Over the [past] decade the average stay [of] foreigners has averaged [a con]sistent five days or half [the] average in countries like S[pain] and Britain.

Change

Any dramatic change in [the] picture will follow infl[ows of] foreign capital, a fact Tu[rkish] governments have long [been] aware of.

Tourism has been the [one] sector in which foreign c[apital] participation or direct i[nvest]ments have been consis[tently] sought and encouraged. [This] does not mean that the bu[reau]cratic red tape and other [diffi]culties involved in an[y] foreign capital investmen[t in] Turkey are missing in [this] sector. They are not. But progress appears to be made. A quarter of Tu[rkey's] nearly 40,000-bed capacity [suit]able for foreign tourism [has] been established and is operated by Turkish-fo[reign] ventures. When the proje[cts in] the pipeline or under con[struc]tion are completed thi[s] capacity will be increas[ed] 70 per cent. with foreign c[apital] investments.



THE ECONOMIC PACKAGE

MONETARY ASPECTS

A new way of looking at Domestic Credit Expansion

:EN BRITAIN devalued in 7 and asked the International Monetary Fund for ncial support to cover the iod before the balance of ments responded, the Fund eloped the concept of nestic Credit Expansion as central measure of our ncial progress. The idea was ple: a measure of credit ch included the lending ded to finance the balance payments deficit would pro- a régime in some ways ilar to the gold standard: ling at home would have to tightened if progress with balance of payments was ippointing, but could expand ch more rapidly as soon as necessary funds were being ned abroad.

his rule meets the demands h of commonsense, since the ance of payments is the id's central concern, and h political reality, since a ntry which has achieved a plus is no longer subject to very effective pressure from Fund, and it is not surpris- that DCE is again the itral measure of financial icy—but under a new definin, and some new and enious Government policies. e changes do matter.

Iowever, the fundamentals not changed: there is no ger an explicit money supply icy. Instead, there is an plicit policy which could inge radically if events do not as forecast. Broadly, the ance of payments is expected improve by some £3-4bn., and ssibly more, over the next years. In the same period, Chancellor has said that DCE will fall from £9bn. this year to about £6bn. This means that under the terms of the Letter of Intent, the money supply could be allowed to grow rather more rapidly in money terms in 1978-79 than this year —which appears, on the face of it, inconsistent with an inflation rate which is forecast to be considerably lower by the end of 1978 than over the next depressing year.

It is possible, of course, that if the balance of payments does improve as much as the more optimistic forecasts suggest, the authorities will impose a considerably tighter regime than they have promised, as Mr. Roy Jenkins did in 1970; the figures given for DCE should therefore be regarded as a maximum rather than a target (unlike a money supply regime, which normally—in the U.S., for instance—implies a relaxation of credit policy when monetary growth falls below the planned rate). But for the markets, DCE is the governing rule as long as the balance of payments remains weak, so that the trade figures —and, much more important, the quarterly figures for official settlements—will become very useful pointers for interest rates for some time to come.

Apart from the balance of payments, the main determinants of DCE are bank lending— now in sterling only—and the public sector's borrowing requirement; the more successful the authorities are in funding this requirement from the investment market, the more the banks will be allowed to lend to commercial borrowers.

The Chancellor has said that the progress of DCE and the borrowing requirement will be monitored closely through the year, which implies that a much more determined effort will be made to finance the Government's needs as they arise, instead of in bursts when the gilts market is buoyant. This could imply more stable credit growth and more volatile interest rates—which would result if, for example, the Government took some City advice and went over to a monthly tender for gilts, like the weekly tender for Treasury bills or the U.S. system of placing Treasury bonds. It could, however, mean some new form of security which will sell even when the news is bad. Proposals for floating-rate bonds and some form of indexation are under very active study.

Apart from ideas on funding, there are one or two ingenious proposals to make the targets somewhat easier to achieve. One is the change of emphasis in the financing of export credit. The Government has unloaded £100m. of re-financing onto the banks, a marginal help in funding. More important, it wants more export finance in foreign currency—which is outside DCE as now defined in sterling terms.

This displays one perfectly real benefit of the new definition; for since the reserves are under heavy pressure, it clearly makes sense to ensure that so far as possible exports are matched by foreign currency inflows, even if the customer is given time to pay. The small cut in foreign aid, which will probably be matched by a cut in export orders on this account, will equally free capacity to seek orders which will bring in currency earnings.

The definition of the money supply is also changed to a sterling basis; it is probably a somewhat less misleading economic indicator as a result, and fits in with the new definition of DCE. This has two effects on the statistics: it makes the numbers smaller, and it makes them less sensitive to changes in the exchange rate. Until now, any fall in sterling has meant writing up the sterling value of foreign currency held by British companies in London (but not if the same companies held their foreign balances in a bank overseas— clearly a nonsense) and quite a proportion of the apparently alarming monetary growth of recent months has arisen from this cause. Thus while the monetary statistics cease to be a central policy indicator for the time being, they have also been re-written in less dramatic and more realistic terms.

The City will probably be least impressed with some of the purely financial steps which have been taken to cut the borrowing requirement — the sale of BP shares, and the reduction in land purchases. These reflect the Government's view that some of its recent problems have resulted not from "real" over-spending, but simply from the attempt to force-feed the market with a surfeit of Government stock. The required sales of stock will indeed be reduced; it remains to be seen whether investors find their lighter diet more appetising in the absence of corresponding cuts in real spending.

Anthony Harris

DOMESTIC CREDIT EXPANSION (DCE) AND THE INCREASE IN MONEY SUPPLY (M3)

SEASONALLY ADJUSTED

Calendar quarters		DCE Old definition £m.	DCE New definition £m.	Change in M3 Total £m.	Total %	Sterling Component £m.	Sterling Component %
1974	2nd	1,459	1,359	685	2.0	278	0.9
	3rd	2,014	1,886	1,215	3.5	895	2.7
	4th	2,523	2,212	1,107	3.1	1,209	3.6
1975	1st	832	898	655	1.8	534	1.5
	2nd*	2,205	2,056	504	1.3	672	1.9
	3rd	1,193	984	1,535	4.0	1,115	3.1
	4th	523	540	190	0.5	15	—
1976	1st	1,367	1,435	735	1.8	570	1.5
	2nd	2,584	2,658	1,549	3.8	1,160	3.1
	3rd	2,956	2,760	2,122	5.0	1,636	4.2

* Changes for this quarter include a large degree of estimation because of the change in the system of reporting banking statistics in May 1975.

Source: Treasury

LOCAL AUTHORITIES AND CONSTRUCTION

Capital spending takes the brunt in six-month moratorium

NCE AGAIN the Government is found it easier to cut public orks programmes and other pital spending rather than ake significant inroads into its n demand on the nation's sources.

It has avoided curbing the blic sector's own vast petite for manpower and ssed on the problem of wideread redundancies to the eady heavily depressed conuction industry.

House builders may have en saved by the preservation, changed, of existing local hority house-building proimmes. But the six months' ratorium on new road iemes, car parks, public nsport projects, water and verage projects, most egories of school buildings, vernment accommodation rks, and local environmental iemes will hit the contracting lustry very hard indeed. sterday was the third casion in less than five nths that they have seen s happen. The Chancellor's ly measures, which reduced planned level of public rks programmes in 1977-78 some £300m., were followed only a month ago by the transfer of more than £100m. from capital spending to current spending by local authorities next year simply in order to make the 1977-78 current spending targets more attainable. Now a further £270m. is to be cut next year and £300m. in 1978-79.

Local authorities will of course complain bitterly about yet further postponements to this or that pet project and in some instances where tenders have to be withdrawn and design staff left idle they could face genuine administrative difficulties. But last month's rate support grant settlement is not being reopened. Above all —and most unexpectedly—they are now to be allowed to spend even more than planned, not less, on housing next year. Indeed, yesterday's measures not only leave local authority housing programmes untouched: there is also to be no reduction in the existing 1977-78 allocations for local authority spending on improvements and repairs and mortgage lending to house buyers. And the forecast average increase in local authority rents next year remains unchanged at 60p a week, the same as the maximum permitted increase this year.

It is true that the planned cessation of two minor subsidy payments next March, together with cost inflation, will raise rents by that 60p a week average. It is also true that, with the housing finance review almost completed, the Government is hoping to bring in a new, and completely re-cast system of housing subsidies from April, 1978. But, if Ministers expect this long overdue reform to reduce the total housing subsidy bill, it is remarkable that they should pave the way for it by budgeting for an increase in subsidies next year.

Because of interest rate changes, next year's subsidy bill is now expected to be £200m. more than planned in the last Public Expenditure White Paper. To offset this, £100m. is lopped off local authority capital spending—£50m., or about a third, off the provision for municipalisation and £50m. off the provision for housing land purchases. The balance will come from housing association grants (almost £60m.) and new town house building (£22m.). Even if one counts the £35m. reduction in Community Land Act expenditure in each of the next two years (reducing the planned rate of acquisitions by about half next year and by a third in 1978-79) the total local authority housing budget next year will still be larger than had been planned after the July measures.

Capital spending on local transport projects, on the other hand, is to be reduced by a further £25m. next year below the already reduced levels set in last month's transport supplementary grant settlement. School building (other than on essential projects) is to be £100m. less over the next two years and water and sewerage schemes £60m. lower. And the motorway and trunk roads programme is to be cut by £40m. in each year in England alone, with priority after the next six months' moratorium going mostly to the M25 London outer orbital. In the past five years, road contractors' workload has been halved even in terms of outturn prices, let alone in real terms. Yesterday it was all but killed off.

Construction industry leaders, still coming to terms with the £300m. expenditure cuts announced in July, last night estimated that the latest Government measures would throw at least another 100,000 building workers out of jobs by the time the cuts had worked through the building programme. At the moment, about 220,000 building operatives are out of work and a growing number of small- to medium-sized contractors are expected to cease trading next year.

The industry's total output this year is expected to show a fall of at least 2 per cent. over 1975, when work levels dropped by 6 per cent. In 1974 output fell by 10 per cent. and industry leaders believe that there is now no hope of an end to the worst post-war recession before 1980 at the earliest.

Mr. Bob Willan, president of the National Federation of Building Trades Employers, said yesterday there was now a real danger that the industry would be forced to contract to a size which would leave it totally incapable of meeting demand when the next upturn came.

Michael Cassell and Colin Jones

DRINKS AND TOBACCO

Hangover is still to come

R. HEALEY has devised a w torture for the wine, spirit d tobacco producers. He has layed the proposed increase duties until January 1, and make sure that the new duty els bite quickly has imposed ationing system.

The complicated scheme ems at first sight to mean that ring the next two weeks procers may take from bond only per cent. of the wine, irits or cigarettes and tobacco ich they withdrew in the first o weeks of December.

At the busiest time of the ar, particularly for the wine d spirit traders, producers ll have to work out with the cise exactly what the quota stem means to their individual mpanies, and much more difficult, how they in turn should ion retailers who will be manding supplies to meet the ntinued boom in sales. Many oducers will have to shorten e Christmas holiday to cope th the quota system, and rerange production and distrition schedules.

The longer range problem is w to finance the extra duty at a time when trade is falling in volume and they are not allowed to increase margins of profit. The Department of Prices and Consumer Protection said last night that "gross and net profit margins may not be increased in consequence of the duty changes. The Price Code provides that the effects of excise duty increases should be excluded from sales figures when margins on turnover are calculated."

Yet, to take one example, the Scotch whisky industry will have to find roughly £12m. more from its cash flow as a result of the measures announced yesterday.

This is so because duty on wine and spirits is paid as soon as they are withdrawn from bond. The producers have to wait for six to eight weeks before they get it back from the customer. At this peak time of the year for the wine and spirit trade it means that the Government has been provided with an interest-free loan of about £150m.

As duties are increased to higher levels, the wine and spirit trade campaigns more urgently to have the system changed, so that, like the brewers in Britain and liquor businesses in all other Common Market countries they are given time to pay the duty.

The Scotch whisky industry is particularly aggrieved since it has consistently been among the most profitable exporting industries. This year foreign earnings will be at least £420m. and nearly all of it profit to external payments in that the industry imports very little raw material.

"This is bound to deprive companies of money urgently needed to promote Scotch whisky sales abroad, just at the moment when there are signs of economic recovery in many of the major markets. This is a fine time to penalise one of the few industries with a potential to make a substantial increase in its contribution to the country's overseas earnings," a Scotch Whisky Association spokesman said last night.

As a result of the changed duties the Treasury should collect around £3bn. from smokers and drinkers in the current financial year. In a full year the Chancellor would expect his increases to bring in an additional £280m. and add around 0.5 per cent. to the cost of living index. Of the extra duty, some £30m. will be provided by spirits, £30m. by wine, and £100m. from beer. According to the Brewers' Society the price of the average public-bar pint will go well past the psychological "five-bob" or 25p level to 27p. Smokers will have to find another £120m.

For the cigarette manufacturers there will follow a hard look at how pricing structures can be dove-tailed with marketing policy. The two-tier effect of the increases in leaf duty from midnight to-night and the increase in end-value tax from January 1 will allow considerable flexibility. Once the industry has paid the extra duty on the total weight of leaf drawn from bond, it will be allowed to redistribute that extra cost unevenly among the products it markets.

The likely consequence is that all manufacturers will seek to protect their shares of the king size cigarette market, and that middle price cigarettes, hand-rolling tobacco, pipe tobacco and cigars will suffer disproportionately.

The additional end value tax will further shorten the life of coupon brands, which are already at a price disadvantage with non-coupon alternatives, often of the same brand.

There is considerable confusion about comparative prices as a result of the past six months' fierce price war, mainly in the king size sector, but also in the middle and small sizes. This competition will be further increased.

However, Mr. Healey knows that the promotional investment in the king size sector made over the past six months cannot be ignored and this, coupled with the known impending effects of the tax harmonisation on January 1, 1978, is likely further to reduce the wide price differentials in the U.K. cigarette market.

Stuart Alexander and Kenneth Gooding

MEN AND MATTERS


EXPORT OR DIE.

The Bank looks back

With Denis Healey yesterday lifting the veil not just on immediate new austerity plans but on progressive cuts to come up to 1979, the future becomes cloudier by the moment. It was a point I mentioned earlier this week, noting that gloom ahead seems to make companies keener to delve into their pasts.

Now that august institution, the Bank of England, seems to be in on the act. To-day's Bank Quarterly Bulletin has an article on the work over the years of the economic intelligence department. There have been previous historical items (the last in 1970 on the cashier's department) but the latest has a diverting way of describing the shaky growth of the role of economists within the Bank.

"The Bank's more specifically economic work," the bulletin reports, "was on a very limited scale until some 15 years after the Second World War. Indeed until that time the Bank appeared positively averse to economics; and the work consisted very largely in the compilation of balance of payments statistics.

The first attempt to compile "in a simple form" tables of figures for the Governors and senior officials on the real economy, the banking system, public finance, and the markets came in August 1921. Quoting intriguingly from internal documents of the day, the bulletin says: "Later, memoranda on monetary or economic questions were written by the section for the Governors, and an attempt was made 'out of Bank hours' to read 'books and pamphlets on financial and economic subjects,' though readers were warned not to 'become infected with the ideas or the language of an economist."

By 1925, employment of a real live economist was considered, but finding the right man gave somebody restless nights, by the sound of it. Again, the bulletin quotes from an internal memorandum that the man chosen "should be fully qualified, as far as degrees, etc., indicate; must not be a crank, and must have the gift of applying economics to practical affairs. A man chosen from the Cambridge school, if under the influence of Mr. Keynes, might perhaps have acquired this desirable aptitude; but if he had also followed this Economist in his progressive decline and fall, dating from the Tract on Monetary Reform, he would be worse than useless."

As a tart footnote records, the Bank's view was to change and Keynes was a director of the Bank from 1941 until he died in 1946.

Monstrous

The Soviet Press has caught up with the latest round of Loch Ness monster mania with its own version of why this story made the headlines. *New Times*, the foreign affairs weekly published in Moscow, sent its man Mikhail Ozerov up to Inverness, and he certainly spared no pains to get at the truth. Ozerov (whose name appropriately means lake) starts his tale back in AD 565 with the first sighting and goes on to recount every twist and turn since then, finishing off with interviews with half a dozen local notables.

But he finds it hard to believe there really is a monster, so he puts forward his own theory instead. Nessie, he says, offers Britain a marvellous diversion from inflation and unemployment.

"British newspapers," the Russian article goes on, "can devote entire pages for weeks on end to the creature and carry a small item on a steelworkers' strike on the back pages, if at all. On television, hours are spent discussing which sex is better represented among the Loch Ness denizens. On the other hand, the Communists did not get even five minutes of TV time during the election campaign.

"All this is well understood by many in Britain. It has been suggested more than once that Nessie's 'appearances' may very well be specially timed."

Ozerov also hints that there may be a capitalist conspiracy afoot (surprise, surprise) to sustain the "Nessie industry." Businessmen around Loch Ness, he says, have a stake in monstermania, and one firm of whisky distillers (unnamed) is even doing thriving business selling Nessie-shaped bottles of Scotch. Do I detect jealousy? After all, Russia has the world's deepest lake—Baykal in Siberia —but not a sniff, lately anyway, of a Marxist monster of the depths.

The crossed-out "British Shipbuilders" above does prove reassuringly that J. Graham Day, who last week quit as chief executive of the organising committee of the proposed State body, did intend doing the job when his Christmas cards were printed.

Of course, that would have been before the latest Parliamentary tussles. However, I am not sure what to make of the choice of subject on the front of the card. This shows the old Padstow lifeboat (man-powered) cutting through stormy seas. Symbolic of rescuing whom, I wonder?

Chop, chop

Reassurance? The director of financial services at Kennet District Council is . . . a Mr. Cutting.

Observer

COMPANY NEWS + COMMENT

Westland Aircraft advances to £9.34m.

IN THE YEAR to September 30, 1976, pre-tax profits of Westland Aircraft advanced from £7.2m. to £9.34m. after interest of £1.58m. against £1.04m. and a contribution of £80,000 from associates compared with a loss of £19,000.

Earnings are shown to be up from 6.96p to 12.97p per 25p share, and the dividend is lifted from 2.59135p to 2.85049p net with a final of 1.62435p.

	1975-76 £000	1974-75 £000
Helicopters profit	6,224	3,796
Hovercraft	2,268	2,143
Control equipment	2,165	1,915
Doors loss	383	†131
Other products	571	279
Share associates	80	*19
Interest charges	1,583	1,041
Profit before tax	9,342	7,204
Taxation‡	1,165	3,641
Net profit	8,177	3,563
Minority interest	485	268
Attributable	7,692	3,295
Dividends	1,690	1,404
Unappropriated	6,002	1,891

Holders' funds per share 90.66p 80.75p

† Profit. * Loss. ‡ Restricted to sums payable, no charge made for deferred tax which will probably never become payable. Had provision for such tax been made for 1976 on the basis used in 1975, attributable profit would have been £3,956,000.

As the manufacture of doors in Belgium and France has shown losses for several years, the manufacture of certain types of such doors has been discontinued. Heavy redundancy costs and losses on stocks have resulted in a trading loss.

The improvements in profitability of the helicopter company are continuing, but the extent depends largely on volume for which further export orders are needed. For 1976-77 the group's profit, barring unforeseen circumstances, should exceed that of the previous year, say the directors.

● comment

Westland's attempts to improve the profitability of its helicopter division are paying dividends judging by the latest figures. Helicopter profits are up by 64 per cent., and the return on average funds employed at Westland Helicopters is up from 9.4 per cent. to 11.7 per cent., though this is still way below the hovercraft business which had a return of 22.7 per cent. in 1974-75. Overall Westland has lifted pre-tax profits by 30 per cent. and quoted earnings are 6p higher at almost 13p (on a tax charge of 12½ per cent.) for a p/e of 4 at 53½p or 7.3 on a full tax charge. Interest charges are up by 52 per cent. and the balance sheet when it is published will probably show net borrowings of around £23m against shareholders funds of £53.7m. The shares are backed by a forecast of further profits growth this year and the shares should have no difficulty in holding their position relative to the market. The yield is 8½ per cent.

INDEX TO COMPANY HIGHLIGHTS

TCK loss £344,035 in first half

A first half 1976 pre-tax loss of £344,035, compared with a profit of £142,035, is announced by TCK Group. Turnover was down slightly at £1.58m., against £1.66m.

The directors say that although the group will still show a loss situation in the second half, they expect that if the recent trend in order books continues, there will be a return to profitability in 1977. The importance of achieving early and full recovery is recognised and they are implementing management plans to this end.

The first half deficit per 25p share is 43p, compared with earnings of 16.35p. No interim dividend is being paid (2.6p net)—last year's total was 5.54125p from profits of £58,756.

The disappointing results were largely due to customers postponing orders, and the recovery seen in the Spring turned out to be shortlived. In particular, deliveries from Keay Turner, the press building company, were very low in the first half of the year. However, turnover of that company increased significantly in the second half.

The performance of Thomas C. Keay and Convertapak reflected the generally depressed conditions in the engineering industry. Heatpak, the central heating equipment subsidiary, acquired in December 1974, showed excellent progress, and profits in the first half were 26 per cent. higher than in the same period of 1975.

The loss in the first six months is struck after higher interest charges of £87,350 (£49,307), £22,621 (nil) losses on foreign exchange, depreciation up from £20,518 to £28,141, provisions for associate losses £23,999 (nil) and stock writedown £150,000 (nil).

There is no tax charge, compared with £11,200 and the retained loss stands at £344,035, against a profit of £110,055.

The group has interests in central heating, textile and paper-sack machinery, presses and valves.

Mr. Dennis Hillman-Eady resigned as chairman in October and his place was taken by accountant Mr. Alfred Davis. The Board was expecting to announce results for the 15-month period ending September 30 this month.

Earlier in this month, the group announced that it had sold part of its warehouse premises for £130,000 in cash and the remainder for £110,000 in cash due for completion on or before January 7.

Advance at British Benzol

COKE AND smokeless fuel manufacturers, British Benzol Carbonising reports first half turnover up from £4.81m. to £6.72m., and an expansion in pre-tax profit from £261,000 to £581,000.

Mr. F. G. Mulryan, the chairman, says trade continues to be buoyant and providing conditions within the coal industry remain stable there seems every likelihood of a satisfactory profit for the year (£960,353 for the year to March 31, 1976).

An unchanged interim dividend of 0.33p net per 10p share is declared. Last year's total was 1.07p.

	1976 £000	1975 £000
	Half year	
Turnover	6,719	4,808
Pre-tax profit	581	261
Taxation	337	136
Minorities	1	—

● comment

British Benzol's interim figures show a complete recovery with profits more than doubled. Better demand has enabled the group to utilise capacity at nearer 90 per cent. against 75 per cent. for the previous year, and coke tonnage sales are well up within a turnover rise of 40 per cent. By-product sales are also substantially better. Exports, however, remain depressed as the group finds it impossible to compete against the German opposition, which is running down its stocks. Still U.K. demand could be sufficient to take the year's profits back up to the previous peak of £1.3m., though this hinges on what industrial action the miners may take. If a strike happens the group could move into a loss (its own workers are NUM members) and even if the position is settled without industrial action the company will probably face higher labour and coal costs, which it must ultimately try to pass on to its customers. So prospects are overshadowed and the shares also have to live with Bank Bridge's 41 per cent. stake. There is little room for any relative strength to the shares at 23p where the yield is 7 per cent.

Receiver for Utd. Industrial

BARCLAYS BANK are to-day expected to appoint a receiver to United Industrial, the cash and carry operation, which yesterday applied to the Stock Exchange for a suspension of its share listing at 5p.

G. Ewer aims for £0.55m.

HIGHER SALES and profits are reported by motor coach operators and motor trade distributors, George Ewer and Co., for the 26 weeks to July 3, 1976 and the directors anticipate that pre-tax profits for the current year will be not less than £550,000 against £467,597 in 1975-76.

They are also confident that the year's results will justify an increased dividend on capital increased by the June rights issue.

In June, the directors forecast a maintained minimum rate of dividend amounting to 1.083p on higher capital.

At the annual meeting in July, Mr. H. G. Ewer, chairman said that the group's budgeted profits of £500,000 for the current year was running a little ahead of target.

Sales for the 26 weeks improved from £5.63m. to £6.62m. and pre-tax profits were £290,000 against £259,000. The directors say the interim figures are satisfactory with good growth on the coaching side helped by the incoming London tourist market.

Sales comprised £5.18m (£4.64m.) from the motor companies and £1.44m (£0.98m.) from transport. The motor companies contributed £114,000 (£129,000) to profits and transport £176,000 (£130,000).

Tax charge is £151,000 (£134,000).

Upsurge at United Scientific

ON TURNOVER up from £7.15m. to £10.1m., pre-tax profits of United Scientific Holdings jumped from £0.87m. to £1.9m. for the year to September 30, 1976, after a rise from £0.33m. to £0.84m. in the first half.

Full year basic earnings are shown to be up from 8.57p to 19.88p, and fully diluted from 7.78p to 18.54p, per 25p share. The dividend is lifted from 2.611p to 2.872p net with a final of 1.872p.

The directors say that the growth in turnover and profit has been exceptional. Further growth is expected in the current year but at a more normal level.

The profits reflect certain special circumstances including particularly a saving of some £200,000 on an annual basis through the total elimination of borrowing and the consequent deposit income on cash balances at the year end of some £700,000.

There have been additional profits on orders in foreign currencies and an increase in the value of earnings of the Singapore company due to the fall in value of sterling. These have combined with large export orders to push margins up to nearly 10 per cent.

The order book exceeds £18m. which already guarantees the current year's turnover and a good part of that for 1978. More than half of the order book is for direct export and the majority of export orders have ben placed in foreign currency.

Net assets per share stand at 40.2p (19.6p).

	1975-76 £	1974-75 £
Turnover	10,096,122	7,149,865
Pre-tax profit	1,896,959	871,403
Tax	865,374	462,412
Minorities	56,025	112,766
Extraord. credit	—	157,259
Retained	827,270	486,638

† Loss

Trident Life retirement plan

Trident Life Assurance has launched a new plan designed to provide investors with either a cash sum at retirement or income during the retirement period. The scheme, Trident Retirement Income Plan, is a regular savings contract maturing at age 60 or after 10 years if that date is later. At maturity the investor has a number of options. He can take the cash-in value of the units or make regular withdrawals to provide a tax-free income. Alternatively, he can stop contributions but leave the capital invested or continue payment, in which case the contribution level would reduce by one-half after age 65. The investor could subsequently cash-in or make withdrawals.

The objective of the plan is to enable investors to supplement whatever pension provision has been made for them, either by their employer or by the State. The plan has been designed so that the benefits can be taken at any time after age 60, thus providing a high degree of flexibility. The minimum outlay is £10 a month.

Investment is made into any one or more of the seven funds within the Trident portfolio and funds can be switched at any time. In the first year 50 per cent. of contributions are invested in units, increasing to 92 per cent. from the second year and 100 per cent. from the eleventh year. A waiver of contribution benefit is available at an additional cost of 3 per cent. of basic regular contributions. This benefit applies from six months after the onset of illness and continues until the investor is able to return to work.

Bankers Inv. Trust

Revenue of Bankers Investment Trust rose from £666,750 to £747,893 in the six months to October 31, 1976 subject to tax of £282,743 against £263,772. Pre-tax revenue for all 1975-76 was £1.41m.

The second quarterly dividend is 0.5p net per 25p share making 1p to date compared with last year's interim of 0.8375p. The total for 1975-76 was 2p.

The net asset value is given as 51.7p (64.9p) per share.

DIVIDENDS ANNOUNCED

	Current payment	Date of payment	Corresponding div.	Total for year	Total last year
E. Austin (London) ...int.	1.14	Feb. 11	1.04	—	3.12
Baggeridge Brick	2.09	—	1.9	2.60	1.9
Bankers Inv. Tst. 2nd int.	0.5	Feb. 28	—	‡	2
Braithwaite Engineers int.	3.58	—	2.89	—	6.94
British Benzol ...int.	0.33	Feb. 7	0.33	—	1.07
H. P. Bulmer ...1st int.	1.06	Feb. 14	0.98	—	4.45
H. P. Bulmer ...2nd int.	1.06	April 6	—	—	4.45
CompAir	2.01	Feb. 25	2.1	3.21	3.1
Dom ...int.	1.44	Feb. 3	1.31	—	3.82
Eldridge Pope	3.68	—	2.64	6	4.93
Ch. Goudrei, Foucard int.	0.8	—	0.73	—	2.19
Lawrence Scott ...int.	0.8	Mar. 31	0.7	—(§)	1.6(¶)
Lindustries ...int.	1.4	Mar. 31	1.2	—	8.0‖
St. Piran ...int.	0.83	—	Nil	—	1.25
Utd. Scientific	1.87	—	1.86	2.87	2.61
Waee Group ...int.	0.45	Jan. 20	0.4	—	0.96
J. O. Walker ...int.	0.98	Jan. 1	0.98	—	3.2
Weston-Evans ...int.	0.82	Feb. 7	0.82	—	2.48
TCK Group ...int.	nil	—	2.6	—	5.54
Westland Aircraft	1.62	—	1.82	2.85	2.59

Dividends shown pence per share net except where otherwise stated.

* Equivalent after allowing for scrip issue. † On capital increased by rights and/or acquisition issues. ‡ Making 1p to date against 0.8375p. § Total of 2.99p anticipated. ¶ For 15 months. ‖ For 18 months.

Dom profit up 43.3% at midway

MANUFACTURERS of fixing devices, Dom Holdings reports first half (to September 30, 1976) pre-tax profit up 43.3 per cent. to £323,106, on sales up by 24.3 per cent. to £3.5m.

And trading activity is progressing satisfactorily in the current six months, says Mr. D. O. McIntyre, the chairman. Profit for the year to March 31, 1976 was £625,096 on a turnover of £6.6m.

Earnings per 10p share for the half year were 2.17p (1.53p), and the interim dividend is raised from 1.30[illegible] to 1.43715p net. Last year's total was 3.8181p—earnings 4.02p.

	Half-year 1976 £	1975 £
Turnover	3,500,631	3,056,261
Profit before tax	323,106	225,406
Taxation	160,455	110,899
Net profit	162,651	114,507
Dividends	*41,113	37,441
Retained	121,538	77,066

* Mr. McIntyre has waived 99.9 per cent. of his entitlement in respect of 4,443,860 shares (4,638,860 shares), the net amount waived being £66,633 (£60,546).

The improvement in net margins on sales resulted both from the increased volume of sales and from the policy of containing overhead costs in factories and administration. The directors will continue to monitor and eliminate uneconomical activities, while continuing to invest in projects which will contribute to the long-term profitability of the group, says Mr. McIntyre.

CCH sees further improvement

For the seven months ended October 1976, operating profits of C.C.H. Investments were £523,000 against £330,000 and the improvement is expected to continue. In the remaining five months of the current year, although profits are still being adversely affected by high interest rates, the directors say.

After higher interest payable of £212,000 (£187,000) and including exchange gains and exceptional items of £154,000 (£150,000) pre-tax profits were £301,000 compared with £173,000.

Turnover for the seven months was £1.69m. In the same period last year the figure was £2.73m. including £1.37m. from ceased activities.

	Seven mths. 1976 £000	1975 £000
Turnover—		
Brewery	1,073	949
Hotels	610	418
Making	1,685	1,367
Ceased activities—		
Brewery managed houses	—	386
Hotels—Scotland	—	593
Construction	—	487
Profits—		
Brewery	186	193
Hotels	80	13
Travel associates	224	164
Investment sales	33	—
Operating profits	523	330
Ceased activities—		
Hotels—Scotland	†4	77
Construction	—	21
Administration	55	63
Depreciation and repairs	105	155
Interest payable	212	187
Exchange gains, etc.	154	150
Profit	301	173

† Loss.

The directors say a 43 per cent. increase in Belhaven beer sales has been offset by an approximate 25 per cent. decrease in wine and spirit sales following the decision to cease acting as wine and spirit wholesalers. Beer sales are expected to maintain their rate of growth.

The sale of Gold Case Travel as from April 1, 1977, will result in an annual reduction of approximately £75,000 in interest rates.

J. O. Walker profit down in first half

Timber importers, J. O. Walker and Co., reports profits down from £182,000 to £177,000 in the first six months of 1976 before tax of £102,000 against £133,000. Turnover amounted to £3.14m. compared with £2.81m.

The net interim dividend is maintained at 0.975p per 25p share. Last year's total was 3.201p from pre-tax profits of £346,720.

S. Casket sales up

Mr P. Casket, chairman of S. Casket (Holdings), reported to the AGM that despite a slow start to the current year due to the extremely hot summer, sales during recent months have exceeded previous records and are up on last year's.

Margins are lower, but with future order books looking most encouraging, the company is hopeful of maintaining its growth record and returning a most acceptable profit for 1977.

The chairman announced the appointment of Mr. Tony Casket as deputy chairman.

U.S. boost for Weston-Evans

MAINLY REFLECTING a big increase from operating units in the U.S., where trading conditions have continued to be favourable, Weston-Evans Group reports an advance from £434,738 to £581,332 in the pre-tax profit total for the half year ended September 30, 1976.

Mr. F. Crosland, chairman, points out that some part of the improvement is due to dollar/sterling fluctuations.

The current inflow of orders to British companies is not as high as the Board would wish. This shows the continuing difficult trading conditions in the capital equipment sectors of the U.K. and export markets.

Consequently, the chairman finds it difficult to forecast the group's final result but indications are that the profit will be not less than the £1.15m. of the year to March 31, 1976.

Earnings per 20p share are up from 3.881p to 5.193p. The interim dividend is unchanged at £44,148 or 0.82073p per share—the 1975-76 total was 2.48276p.

	First half 1976-77 £	1975-76 £
Sales	5,393,277	4,989,135
Profit before tax	581,332	434,738
Taxation	302,000	[illegible]
Net profit	279,332	208,738
Dividends	44,148	[illegible]

The group makes machinery for paper making, textile finishing and laundry, and also mechanical handling equipment.

Sharp rise by Mendip after nine months

After interest and expenses of £98,156, against £84,538, and U.K. tax up from £18,051 to £29,595, earnings of Mendip Investment Company rose sharply from £24,4[illegible] to £66,707 or from 0.61p to 1.67p per 25p share for the nine months ended November 30, 1976.

Gross income was ahead from £127,085 to £204,458.

As known, the interim dividend amounted to 0.55p net (0.4p) taking £22,000 (£16,000). Last year's total was 1.05p and net earnings £42,127 or 1.05p per share.

At November 30, 1976 net assets per share stood at 76.8p (83.3p at February, 1976), including 9.4p (12p) investment currency premium—contingent surrender of 25 per cent. currency premium 2p (2.5p). Net current assets were £1.67m. (£0.43m.).

The offer documents concerning the proposal to unitise the company will be available during January—the costs will reduce the net asset value, the directors point out.

Advance at Ch. Goldrei Foucard

Taxable profit of food manufacturers, Ch. Goldrei, Foucard and Son advanced from £137,637 to £166,858 in the half-year to September 25, 1976 and results for the full year should be at least as satisfactory, say the directors.

They report that growth in sales volume is continuing.

The net interim dividend is lifted from 0.73p to 0.8p—the chairman, Mr. L. H. Goldrei and his wife have again waived payment on 171,435 shares. Last year's dividend total was 2.19p and profits £276,276.

Moorgate Inv. midway growth

Gross revenue of Moorgate Investment Company increased from £103,812 to £141,378 in the half year to November 30, 1976, and net earnings were up from £52,942 to £74,068.

Earnings per 25p share advanced from 1.14p to 1.59p and the interim dividend is stepped up from 0.6125p to 1p net. Last year's total was 2.35p from net earnings of £110,718.

Gross assets at valuation after providing for the interim dividend were £3,152,428 (£3,598,493 at May 31, 1976). Net asset value per Ordinary before deducting 25 per cent. of the investment currency premium was 57p (67p).

Market values of investments quoted abroad and foreign currency deposits have been expressed in sterling at the rates of exchange ruling at November 30, 1976, including where applicable the full investment currency premium of 39½ per cent. (based on a rate of U.S.$1.6535) amounting to 2½p per share.

Realisation of the whole portfolio and foreign currency deposits at November 30, 1976, would not have resulted in any liability to capital gains tax. This notional liability was of the order of £54,000 (1½p per share) at November 30, 1975.

AE ACCEPTANCES

Associated Engineering announces that acceptances have been received for 94.3 per cent. of the 18,312,283 shares issued by way of rights. The balance has been sold at a premium, the proceeds of which will be distributed among entitled shareholders.

Bulmer on target for 50% rise

TURNOVER of cider, etc., manufacturers, H. P. Bulmer, expanded from £12.94m. to £18.14m. in the half year to October 28, 1976, and pre-tax attributable profit advanced from £1.85m. to £2.9m.

Last September Mr. R. J. Prior, the chairman, said he expected that results for the current year could well show a 50 per cent. increase in pre-tax profit over the £2.59m. record for the year to April 30, 1976. Subject to measures announced in the mini-Budget and effects of the general recession in the economy the directors anticipate that the forecast will be met.

He reports that cider sales volume has continued to grow since end of the half year but it is too early to determine effect of imposition of Excise Duty from September 6 on future sales growth.

The unusual manner of implementing this duty at a flat rate penalises the lower strength and less expensive varieties of cider, he adds.

	Half-year 1976 £000	1975 £000	Audited 53 wks. 1975-76 £000
Cider & pectin sls.	17,797	12,687	25,888
Wines and spirits	341	255	658
Group turnover	18,138	12,942	26,315
Cider & pectin pft.	3,312	2,435	5,708
Property	—	—	5
Wines and spirits	27	17	49
Trading profit	3,348	2,448	[illegible]
Interest payable	339	458	[illegible]
Minorities	2	3	3
Profit	3,015	1,982	[illegible]
Orchard develop.	154	114	208
Other excpt. crdts.	15	*7	*16
Attributable profit	2,896	1,851	2,593
Taxation	1,506	1,061	1,489
Net profit	1,382	790	1,104
Extraord. credits	32	5	*5
Preference divs.	3	3	3
Attributable Ord.	1,391	791	1,084

* Debits.

The capital expenditure programme for this year has been accelerated by about £0.75m. to £3.2m. to increase production capacity. Nevertheless, the directors expect that borrowings will show a further reduction in the second half.

Earnings per 25p share for the half year were 13.2p (7.8p) 13.31p (7.85p) including ex[traordinary] items.

Tw[o] interim dividends of 1.06[p] net each (one interim 0.98[p]) payable on February 14 and A[pril] 6 have been declared. A m[axi]mum permitted total of £1[...] (2.8899p) is intended.

In the next few months the c[om]pany will be initiating a m[ajor] test marketing project for ciders in the U.S. Early indica[tions] of this potentially important m[ar]ket look promising, says Mr. P[rior].

Exports at £739,000 in the half have more than doubled c[om]pared with first half of 197[5]. Most of this export growth [has] been in pectin activity which covered well from the diff[icult] trading conditions experience[d] half of 1975-76.

● comment

The volume gain achieved [by] H. P. Bulmer of 28 per [cent.] during the summer means the two-year improvement added up to a massive 55 [per] cent., and the group is conf[ident] that these gains can be held in more normal weather c[ondi]tions. More recent trends [are a] little harder to assess follo[wing] the imposition of cider du[ty in] September, but in the early [part] of December volume has [been] running at about 11 per [cent.] higher than a year ago. More[over] the U.K. apple crop this su[mmer] has been excellent for quantity and quality while by-product pectin, too, has [bene]fited from better demand [and] higher prices. In these cir[cum]stances the indication of a 5[0 per] cent. profits rise for the full [year] looks a little on the cautious [side]. But sticking to the forecast which suggests just short of [£4m.] pre-tax for the year, the s[hares] have potential on a prosp[ective] p/e of 5.1 at 88p, althoug[h the] indicated dividend yield is 5.8 per cent.

Laurence Scott tops £1m. in first half

PRE-TAX profits of Laurence Scott reached £1.03m. in the six months to September 30, 1976 on turnover of £13.59m. and the directors repeat the September indication that the year's results will be a record by a useful margin.

For the six months to June 30, last year, a loss of £79,000 was incurred. Turnover amounted to £10.18m.

Earnings per share are 5.81p (0.71p loss). The net interim dividend is 0.8p (0.7p) and the directors intend to recommend dividends totalling 2.99p for the year.

In the 15 months to March 31, 1976, a net total of 1.6p was paid from pre-tax profits of £1.71m.

The group trades as electrical machinery and control gear manufacturers.

	—Half year— Sept. 30 1976 £000	June 30 1975 £000
Turnover	13,591	10,183
Deposit & plant leasing	776	233
Deb., etc., interest	[illegible]	[illegible]
Profit before tax	1,027	*78
Tax	531	†27
Net profit	496	*82

* Loss. † Credit.

● comment

Laurence Scott has moved smartly back on to the growth trend in the current year. First half profits are in line with those achieved in the previous nine months (adjusted for a similar period). This has been achieved despite a marked slowdown in new orders for heavy electrical motors (a major division), reflecting a drop in North Sea investment plus spending cutbacks by the BSC. The growth has come mainly from the control gear side which is still working to full capacity and looks capable of maintaining its progress in the second half. If the fall-off in heavy engineering work continues for very longer the medium-term g[rowth] prospects could be threat[ened]. But, in the meantime the m[arket] should find some comfort [in the] sound liquid position—last [year's] improved position has been [main]tained—and a probable full [year] outcome of £2½m. pre-tax, [which] should cover the prospective [yield] of 11.1 per cent. at 43p, 4.6 [...]

Buoyant sales at Peak Investments

Peak Investments, which [has] interests in electronics, indu[strial] property and the manufactu[re of] caravan chassis, is looking [for]ward to a good second half t[o the] current financial year. Th[is was] clear from remarks made b[y Mr.] John Finch, chairman, at [the] AGM.

The second half of the yea[r has] commenced with "extr[emely] buoyant sales in both the [engin]eering and electronics su[bsidi]aries," reported Mr. Finch.

"The level of chassis pr[oduc]tion in volume terms is [the] highest for three years an[d] indications are that order[s will] increase further over the [next] few months," he said.

On the electronics side [the] infra-red detector had [been] extremely well received, an[d the] volume of production and [...] is being stepped up each m[onth].

Mr Finch warned shareho[lders] however, that problems [which] adversely affected group [profits] in the second half of last [year] although now resolved—ha[d] a continuing effect on pr[ofits in] the first half of the current [...]

Overseas earnings lift CompAir to £9.38m.

TERNAL SALES for the 53 eks to October 8, 1976 of mpAir expanded sharply to 1.95m., compared with £85.96m. the previous 52 weeks, and -tax profit increased from m. to £9.38m., after £3.44m., unst £3.1m., for the first half.

Earnings per 25p share for the r were up from 8.41p to 10p, l the dividend is raised from to 3.2071p net with a final 2.0071p.

Overseas earnings made the jor contribution to the proved results which have been ieved despite difficult trading ditions in many parts of the ld, the directors state.

Business at the outset of the rent year is in line with ectations and an assessment the outlook for 1977 will be en at the annual general meet- on February 16, they add.

	53 wks. 1975-76 £000	52 wks. 1974-75 £000
sales	111,951	85,957
ling profit	14,097	11,372
rest paid	2,549	2,383
reciation	2,173	1,741
t before tax	9,376	7,298
ation	4,276	3,615
profit	5,100	3,683
rities	476	372
it bef. extraord. items	4,624	3,311
aord. credits	†207	*104
ibutable	4,831	3,207
dends	1,483	1,347
ined	3,348	1,860

Debits. †Capital profit on sales, in- ments and fixed assets.

Exchange gains of £2,872,000 34,000), principally on over- s net assets, have been trans- ed direct to reserve.

The tax charge in 1976 has been eved by exceptional adjust- nts in respect of prior years ounting to £0.3m.

The company manufactures air ipressors, pneumatic tools, etc.

comment

npAir is slightly above its £9m. fits forecast after solid growth he second half: on a turnover rease of £15.6m., profits rose £2½m. on the first half and by per cent. on the comparable iod. The bulk of the impetus nes from overseas (particularly th America and the OPEC ntries) which now accounts over 70 per cent. of turnover. hout Desoutter, CompAir can- be a force in power tools, ough this side accounts for than 5 per cent. of sales. If rent trends continue in other sions (based on general con- iction and industrial demands rseas) then the p/e of 6.2 and d of 8 per cent. will make the res at 64p look cheap. New t the abortive Desoutter bid is r, the shares have come off ir 1976 low.

TRAVANCORE —STHN. INDIA

The Travancore Tea Estate's er for Southern India Tea ates is extended to December Acceptances have been eived for 31,572 Ordinary and 90 Preference shares.

DENTSPLY-ADI

The offer on behalf of ntsply, a wholly owned sub- liary of Dentsply International c., for the capital of AD International will close on January 14, 1977.

Acceptances have been received in respect of 15,074,348 ADI units (an ADI unit represents one 5 per cent. Non-Cumulative Preference share and one new Ordinary share of ADI) which, together with the 62,500 ADI units owned by Dentsply prior to offer, represents 97.62 per cent. of the ADI capital.

BOARD MEETINGS

The following companies have notified dates of Board meetings to the Stock Exchange. Such meetings are usually held for the purpose of considering dividends. Official indications are not available whether dividends concerned are interims or finals and the sub-divisions shown below are based mainly on last year's timetable.

TO-DAY

Interims—Danks Gowerton, Distillers, Empress Services, Guthrie, Matthew Hall, Kennedy Smale, Linfood, A. Monk, Plysu, Tex Abrasives, Trustees Corporation, Unigate, Vaux Breweries, Wheeler's Restaurants.

Finals—Associated Engineering, Burton Group, Charterhouse Group, Deanson, Grechall Whitley, Hardys and Hansons, Homfray, MEPC, Northern Foods, Redman Heenan International.

FUTURE DATES

Interims—

Danae Investment Trust .... Dec. 20
Petbow .... Dec. 22
S. and U. Stores .... Dec. 17

Finals—

Barr (A. G.) .... Jan. 13

Baggeridge expands to £303,176

AGAINST AN indicated £240,000 pre-tax profit of Baggeridge Brick Company expanded to £303,176 for the year to September 30, 1976, compared with £230,102 for the previous year, after £120,000 (£75,000) for the first half.

Earnings per 25p share for the year increased from 2.69p to 3.61p, and the dividend is stepped up from 1.900325p to 2.09035p net.

	1975-76 £	1974-75 £
Turnover	4,334,354	3,500,270
Pre-tax profit	303,176	230,102
Taxation	156,656	122,141
Net profit	146,520	107,961

ADAMS FOODS

The offer by Adams Foods for Broadhurst and Co. (Gadebrook) has been declared unconditional subject to the listing of the loan stock being granted. The offer remains open. Acceptances have been received for 441,275 out of 467,000 Ordinary shares, the whole of the 37,456 "A" Ordinary shares and 25,000 out of 26,000 Preference shares.

W. OF E. TRUST —TYNDALL

The West of England Trust has allotted 114,512 Ordinary shares in acquiring 28,628 Ordinary shares from minority shareholders in its subsidiary Tyndall Group.

An unconditional offer to acquire 184,060 Ordinary shares in Tyndall was made on November 19 and remains open for acceptance until December 31. WOET now holds 90.8 per cent. of the capital of Tyndall.

Advance at Eldridge Pope

BREWERS, maltsters and wine and spirit merchants, Eldridge Pope and Co. reports turnover up from £8.23m. to £9.65m. for the year to September 30, 1976, and pre-tax profits of £1.16m. compared with £0.92m. including extraordinary items of £94,133 (£53,254). Profits after tax advanced from £534,952 to £621,277.

The dividend total is lifted from 4.92p to 6p net per £1 share with a final of 3.88p. The company is close.

The directors say the overriding factor was the summer weather which resulted in substantially increased sales of beer —notably lager.

Traditional draught ale also made strong progress but the packaged trade slipped back in line with the market.

In the second half wine sales showed signs of recovery though sales of spirits continued to stagnate.

Robt. Fleming appointed SUITS advisers

Robert Fleming, the City merchant bank with Scottish connections, has been appointed financial adviser to Scottish and Universal Investments, two of whose directors, including Sir Hugh Fraser, the chairman, were sharply criticised in a recent Stock Exchange report.

The SUITS Board, announcing this yesterday, said that it had asked Fleming "to consider with them plans for the future conduct and development of the business of the company."

This announcement drew a favourable response from the committee of institutional investors which recently asked the Board to say why Sir Hugh and Mr. Nicholas Redmayne, a fellow director, should remain on the Board. The Stock Exchange had criticised share sales by Sir Hugh and Mr. Redmayne, while clearing them of insider dealing, and made other criticisms of the company's management in the past 18 months.

Sir Hugh has, however, threatened to sell his family stake of 36 per cent. in SUITS if he is ousted as chairman.

A statement from the institutional committee said it welcomed the appointment of Fleming "which, it believes, will contribute to resolving the management problems of the company, which have been of great concern to it."

SHARE STAKES

Bishopsgate Property and General Investments has sold its holding of 2,573,991 London Shop Property Trust Ordinary shares.

Fine Art Developments has increased its holding in Wilson Bros. by 10,000 shares to 2,436,202 shares.

ASSOCIATES DEALS

Capel-Cure Myers on Monday bought 4,000 Dunford and Elliott at 39p for a discretionary investment client. Capel-Cure Myers purchased 20,000 Dunford-Elliott at average 38p for associates of the company.

Joseph Sebag and Co. bought 2.1m. London City and Westcliff at 22p on behalf of Lonrho.

Lindustries sees over £5.12m.

TURNOVER for the 28 weeks to October 16, 1976, of Lindustries increased from £34.49m. to £40.97m., and pre-tax profit advanced from £1.85m. to £3.05m.

Mr. W. E. Luke, the chairman, points out, however, that during the final six months of the previous 18-month accounting period there was a considerable upsurge in profits and an increase of this proportion will not be forthcoming for the full year.

Nevertheless, he is confident that in the current year the profit of £5.12m. attained during the comparable 12-month period will be exceeded.

Earnings per 25p share for the 28 weeks increased from 4.1p to 7.72p, and the interim dividend is lifted from 1.2p to 1.4p net. The total for the 18-month period was 6p—earnings 17.3p. Turnover for that period was £104.89m. and pre-tax profit £7.02m.

In order to make comparisons easier, the figures for the final 52 weeks of that period have been calculated by apportioning the figures previously reported for the period March 15, 1975, to April 3, 1976. They show a turnover of £70.4m., profit £4.86m., and earnings per share 12.84p.

	28 weeks 1976 £000	1975 £000	52 wks. 1975-76 £000
Engineering sales	15,825	14,084	29,574
Polymer	7,292	5,724	11,537
Textile	9,969	7,080	14,894
Overseas	7,881	7,604	14,391
Total turnover	40,967	34,492	70,396
Engineering profit	578	328	1,708
Polymer	263	203	520
Textile	1,088	780	3,160
Overseas	824	784	1,054
Total profit	3,033	2,095	5,439
Investment income	99	24	50
Interest payable	297	378	625
Share associates	199	106	255
Profit before tax	3,054	1,847	5,119
Taxation	1,458	932	2,471
Minorities	101	118	198
Attributable	1,465	797	2,450

The recovery of the engineering division was maintained and profits improved. Although poor demand is being experienced by some subsidiaries, the trading of the majority was satisfactory, says Mr. Luke.

He says the performance of the polymer division as a whole was disappointing. William Warne and H. A. Coombs, which are somewhat interdependent, are suffering from lack of volume and are not in profit overall, but the profits of other companies in the division provides a compensating factor.

The textile division is still doing well. Barbour Threads, the major company, continues to improve its export performance but there is strong pressure on profit margins in the home market.

Profits in the overseas division remained steady despite exchange rate fluctuations. In Canada John Leckie exceeded the profit of the previous comparable period and should show some improvement for the full year. The political uncertainties in Mexico have not so far affected Alta Mar's trading which continues to be buoyant.

Devaluation of the Mexican peso has resulted in a lower sterling equivalent of the group's share of the net assets of the Mexican company, but when this is set against corresponding gains in other overseas areas due to the fall in the value of sterling, the net effect is at present not significant.

● comment

Textiles continue to be the mainstay of profits at Lindustries and the recovery in engineering has been maintained, albeit at an unexciting level. So the attention of the company is now on the unfortunate polymer division which, although showing profits growth of 30 per cent. is still working on a margin of only 3.6 per cent. It has been suffering from competition from Third World countries which enjoy direct access to the raw material and tariff advantages. Lindustries hopes now to counter these advantages with more advanced technology and other means. Overall profits have risen 65 per cent. in the first half but this will not be repeated in the second half because comparison will have to be made with a period already showing marked recovery. The shares, at 57p, yield 12.2 per cent., which reflects the continued low profitability of the engineering and polymer divisions.

MINING NEWS

The threat to world mineral supplies

BY KENNETH MARSTON, MINING EDITOR

GROWING concern is being felt about the threat to mineral supplies in the latter part of this century. The threat arises not because of a possible scarcity of new mineral deposits but because of the problem of raising the huge sums of money required to exploit them in third world countries where there is no guarantee of security for such investment.

The fear that Governments will renege on agreements is already largely responsible for the fact that at present there are virtually no major new base-metal mines being developed in the world. And such mines can take some eight years to reach the production stage. In the meantime, an additional adverse factor is that apart from uranium, there is probably no major new base-metal mine that is more than marginal on the basis of current metal price projections.

The problems have been already underlined by the recent submission of the leading European mining groups to the president of the Commission of the European Communities. Now a further powerful report on the breakdown of the mine-financing system has come from the British-North American Committee which points out that the U.K. is entirely dependent on imports of 15 of 20 ferrous and non-ferrous metals considered and is 90 per cent. dependent on three of the others.

The Committee considers that fears of OPEC-type cartels in non-fuel minerals seem unlikely to be realised. It stresses that if producer countries are to reap the benefits of effective development of mineral resources in the years ahead there must be some agreed basis, accepted by producers and consumers, for attracting capital, ensuring markets and apportioning benefits.

Another voice to be raised on the problem of ensuring future supplies of metals and minerals comes from The Mining Association of the United Kingdom, the outcome of the recent merger of the Overseas Mining Association and the United Kingdom Metal Mining Association.

The retiring president, Mr. D. R. Mitchell, comments on the impact on mining operations of low metal prices and inflation. And he calls for the U.K. Government to give greater support to the U.K. mine operators and mining finance houses than has been shown over recent years.

"Mineral Development in the Eighties Prospects and Problems. British-North American Committee. 1 Gough Square, London, E.C.4 £1.50.

Metall joins Bathurst camp

As foreshadowed by Lodestar in Monday's Mining Notebook column, another farm-in deal is announced at the Bathurst mining camp at New Brunswick of the U.S. Steel-Sabina partnership.

The newcomer to the Canadian base-metal prospect is the Canadian offshoot of West Germany's Metallgesellschaft group. It is to contribute $450,000 (£265,000) of a $600,000 two-year spending programme. Sabina were 65p yesterday.

PROFITS GROWTH AT CRAIGMONT

The abolition of mineral royalties in British Columbia has enabled the Canadian copper producer, Craigmont Mines, to withstand the pressure of low metal prices and record a 9 per cent. increase in net income for the year to the end of last October.

The profit was $3.9m. (£2.27m.) or 77 cents per share, compared with $3.6m., 71 cents per share, earned in fiscal 1975. The total amount of taxes of all kinds was down to $3.9m. from $5.4m. the previous year. Revenue from concentrate sales was $23.1m. against $23.5m.

Craigmont's exploration costs have increased owing to its involvement in the search for oil and gas, and the immediate prospects for higher earnings do not look very encouraging. The price of copper, on which Craigmont depends, averaged 63 cents a lb. during the last fiscal year, but has since declined to languish under 60 cents a lb. in New York for nearby positions.

DENISON'S BC COAL PROSPECT

THE PROSPECT of bringing Quintette Coal's 2.5bn. tonnes coking coal deposit in British Columbia to production has been enhanced by the likelihood of Imperial Oil joining the consortium led by Denison Mines. Imperial is Canada's biggest oil producer and a subsidiary of the giant Exxon Corporation of the U.S.

If Quintette comes to production it will emphasise Denison's position as a significant producer of energy resources outside its traditional involvement in uranium. At present Denison is linked with two Japanese companies, Mitsui Mining and Tokyo Boeki in the Quintette project.

If Imperial's involvement goes through as planned, and it needs the agreement and approval of the boards of the respective partners involved, as well as the Government, then the equity in Quintette will be held by Denison, as to 38.25 per cent., the two Japanese companies, 45 per cent. and Imperial, 16.75 per cent.

Quintette is well past the raw prospect stage. What Denison's chairman, Mr. Stephen B. Roman calls "a final feasibility study" is to be completed "on schedule" this year and the decision to proceed with production is expected in 1977. The plan is for an initial production of 1m. tonnes of metallurgical coal a year by 1980, rising to 5m. tonnes in 1984.

Mr. Roman has already lined up tentative customers. Two members of the Japanese steel industry, Nippon Kokan, and Kobe Steel, have agreed to negotiate for the purchase from Quintette of 3m. tonnes a year on a long-term basis.

The project would require some help from the B.C. Government. "We are satisfied that the B.C. Government will lend its support and co-operation in creating the necessary infrastructure for the northeastern area of British Columbia," Mr. Roman says.

Saint Piran's upsurge

BASKING IN the glow of higher production from the Cornish tin mine, South Crofty, and an increased tin price, Saint Piran announces a seven-fold rise in trading profits for the six months to the end of September and a leap in net income to £260,000 from £3,000 in the same period of 1975. The total for the past year to March 31 was £179,000.

An interim dividend of 0.625p net is declared. Last year there was no dividend at this stage and the total payment for the year was 1.25p net.

The recovery in Saint Piran's net income thus began in the second half of the 1975-76 financial year. In the latest six months to the end of September the London Metal Exchange cash tin price rose from £3,886.5 per tonne to above £4,700. Tin concentrate production at South Crofty in the same period was 1,077 tonnes against 881 tonnes in the 1975 first half.

The managing director of Saint Piran, Mr. Peter Adie states: "The prospects have never been better." South Crofty has been mining more ore than has been milled because of shrink stoping, a system of drilling upwards which means that more ore is broken than is removed until the stope is completed.

The extra stocks will enable higher concentrate production in 1977. With an expansion programme nearing completion, production should be at 2,800 tonnes a year within two years.

In the past fortnight Saint Piran shares have advanced from 34p to 53p, but yesterday, after the figures, they succumbed to profit-taking and closed at 49p.

ROUND-UP

Japanese steel industry sources in Tokyo said that 1977 iron ore and coking coal imports would be reduced owing to lower than expected crude steel production. The industry has contracts for the import of 145m. tonnes of iron ore and 63m. tonnes of coal, but there is a provision for an increase or decrease of 10 per cent. on either side of these figures.

* * *

Iron ore mining and milling resumed at Mount Newman in Western Australia, following a 37-day strike of engine drivers. At Port Hedland 25 bulk carriers are awaiting shipments.

* * *

Penetrating further and further into the earth's crust, engineers at the world's deepest gold mine, the Anglo American group's Western Deep Levels in South Africa, have drilled an inclined borehole a record length of 1,237 metres—more than three-quarters of a mile long, starting more than 1½ miles underground. They have intersected gold reefs beneath the present mine workings in a cheaper and more informative fashion than would have have been possible had they started on the surface.

MINING BRIEFS

KADUNA SYNDICATE—October tin production 30 tonnes. (September, 27 tonnes).

CONZINC RIOTINTO MALAYSIA—Sri Timah tin production for November 111 tonnes (October, 108 tonnes).

ST. PIRAN—November production of tin concentrates (70 per cent. purity): United Kingdom 201 tonnes (October 190 tonnes); Malaysia 26 tonnes (October 12 tonnes).

Midway jump by Braithwaite Engineers

Turnover of Braithwaite and Co. Engineers expanded from £4.86m. to £6.28m. for the six months to September 30, 1976 and profits jumped from £210,640 to £928,011.

Excluding unforeseen circumstances the directors anticipate that second half profit will not be less than that for the first.

The outlook for the constructional steelwork industry is not encouraging and suitable orders to follow current long-term contracts will be difficult to obtain owing to the excess of capacity over demand. The sales effort in search of contracts particularly from overseas is being increased and there is continued investment in new plant and machinery to improve efficiency, they tell members.

The interim dividend is raised from 2.889p to 3.375p per £1 share. Last year's total was 6.839p paid from pre-tax profits of £546,194.

	Half-year 1976 £	1975 £
Turnover	6,2[illegible],000	4,8[illegible],000
Profit before tax	928,011	210,640
Tax	483,000	109,500
Net profit	445,011	101,140
Dividend	3,937	3,937
Attributable Ordinary	441,074	97,203
Ordinary dividend	49,263	39,000
Retained	392,811	58,203

Westerly Marine turns in £0.22m.

Turnover of glass fibre yacht builders, Westerly Marine Construction, for the year to July 31, 1976, was £4,939,000 and profit, before tax, was £222,600. Exports at £3,041,000 accounted for 62 per cent. of total sales.

Mr. D. Sanders, the chairman, said the figures were most pleasing as the first half of the year had been badly affected by the restrictions on lending and a high rate of VAT in the U.K. market.

ICFC has a 20 per cent. holding in the company.

RECENT ISSUES

EQUITIES

FIXED INTEREST STOCKS

"RIGHTS" OFFERS

Renunciation date usually last day for dealing free of stamp duty. a Figures based on prospectus estimate. d Dividend rate paid or payable on part capital, cover based on dividend on full capital. g Assumed dividend and yield. u Forecast dividend; cover based on previous year's earnings. v Figures based on prospectus or other official estimate. ‡ Gross. † Figures assumed. ‡ Cover allows for conversion of shares not now ranking for dividends or ranking only for restricted dividends. ** Issued by tender. ◆ Offered to holders of Ordinary shares as a "rights." ◆ Issued by way of capitalisation. †† Tender allotment price. ◆ Reintroduced. ◆ Issued in connection with reorganisation, merger or take-over. ◆ Introduction. ◆ Issued to former Preference holders. ■ Allotment letters (or fully-paid). • Provisional or partly-paid allotment letters. ★ With warrants. ◆ After suspension. KD Kuwait

THE MINING ASSOCIATION OF THE UNITED KINGDOM

VITAL TO SECURE SUPPLIES OF METALS AND MINERALS

STATEMENT BY MR. D. R. MITCHELL

The thirty-first annual general meeting of The Mining Association of the United Kingdom was held in London on 15th December, 1976. In his speech to the members, the retiring President, Mr. D. R. Mitchell, said:

During the past few years tentative consideration has been given from time to time to the question of merging the Overseas Mining Association and the United Kingdom Metal Mining Association, and early in 1976 a working party consisting of nominated representatives of OMA and UKMMA was set up to examine the situation and to put forward specific proposals for such a merger.

The working party's recommendation that the merger should proceed was accepted by the two Councils, since it would be more convenient administratively to have a single unified Association and this would enable stronger representations to be made to Government departments and others on mining matters. Also, Britain's entry into Europe had blurred the outlines of areas of responsibility hitherto held separately by OMA and UKMMA.

In June the proposals of the working party were duly put into effect, under which OMA changed its name to The Mining Association of the United Kingdom and altered its Memorandum of Association to enable it to undertake the work previously carried out by UKMMA, whilst the latter went into voluntary liquidation. All former members of UKMMA have joined the new Association apart from two who were terminating their membership in any event. We welcome this addition to our strength and the broadening of the interests we represent, and I would like to thank all those who formed the working party or assisted towards accomplishing the merger.

Supply of Metals and Minerals. Over the past year the industry has continued to contend with depressed prices for most metals and minerals, particularly for copper, and also with the harsh effect of inflation on operating and capital costs. Some well-established mining operations have been severely curtailed or closed down altogether, and other projects in the exploratory or development stage have in some cases had to be suspended. Also, the political and fiscal pressures applied by the governments of many of the countries in which mines or valuable mineral deposits are located tend to retard exploration and development.

Although at present there is no lack of availability in the general sense of metals and minerals, the situation is such that, unless the opening up of new mines becomes more economically feasible, shortages may be expected to occur in the decades ahead. With this in mind the United Kingdom Government and the European Commission have been pressing on with discussions and planning on the vital topic of security of raw material supplies. Representatives of the Association and some of our member companies, are playing leading roles in these talks.

Recently Government has stated its intention to give the highest priority to the needs of this country's manufacturing industry, and obviously an important element in this is an assured and adequate supply of metals and minerals on a long term basis. It is to be hoped that, in order to achieve this objective, greater support will be forthcoming from Government to mining concerns in this country and to mining finance houses with interests both here and overseas than has been shown over recent years.

Taxation. One of the means by which the Association can further the interests of its members is by the scrutiny of new fiscal legislation and by attempting to remedy past legislation where this adversely affects the industry. The Taxation and Tariffs Committee gave careful consideration to the 1976 Finance Bill, putting forward amendments where appropriate, and the Association made recommendations to the Chancellor in advance of the Budget, requesting amendments to remedy seven anomalies in current legislation which penalise mining companies, especially those operating primarily overseas under foreign fiscal regimes. It is a matter of regret that no action was taken by the Chancellor on these matters to provide some measure of relief to members of the Association, who bring such very significant benefits to the British economy in the form of overseas earnings and the supply of essential raw materials.

Laws and Regulations. One of the principal activities of UKMMA was to examine the effect of proposed new laws and regulations affecting the metal mining industry in the United Kingdom and this will continue to be a prime concern of The Mining Association; a new committee has been set up to undertake such work. During the course of the year, the report of the Stevens Committee on minerals planning control was published. This report and its recommendations were of great significance to our U.K. members; there are parts of the recommendations on which we have urged that action should be taken without delay, but unfortunately the latest indications are that the Government will not be able to proceed on these for several months.

Government departments have sent us papers on a variety of matters for information or comment. These have all been responded to, either by the Association or by members particularly concerned with the subject matter of an enquiry. It was heartening to learn that a planning application in Wales by one of our members to which UKMMA had given its support had succeeded.

Acknowledgments. Finally, on behalf of all our members it gives me much pleasure to thank the Committees and Council of the Association for their continued valuable work and to pay special tribute to our Secretary, Mr. S. J. Whiteman, for his efficient services and dedication to our affairs.

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BIDS AND DEALS

Dunford and Elliott sees £5m. for 1976-77

Dunford and Elliott is forecasting pre-tax profits of £5m. for 1976-77 but is holding back on dividend news, at least for the time being.

The forecast is contained in a circular which has been sent to shareholders following the approval at a meeting yesterday of the Board's proposals for a £3m. rights issue of convertible preference shares.

The circular is a prelude to a more detailed rejection of the £3.0m. bid from Johnson and Firth Brown which Dunford has described as "opportunist and wholly inadequate."

Contained in the circular are summaries of Dunford's internal budget and engineering information, which the Board has accused JFB of misusing in its take-over plans.

The budget information is in two parts: the first, prepared between June and September, shows a trading profit of £9.3m., which after interest charges of £3.4m. gives a pre-tax profit of £5.8m. and earnings of £2.9m. The second, revised in December, reveals a higher trading profit of £9.5m., interest of £3.7m., pre-tax profits of £5.9m. and after a reduction in deferred tax due to the incorporation of newly calculated tax losses, earnings of £3.7m.

It was the trading profit figure of "£9m." which was inadvertently disclosed by JFB's counsel during the recent Court of Appeal hearings brought by JFB against an injunction granted to Dunford, preventing JFB from proceeding with its offer.

Dunford directors regard the revised budget as "capable of attainment" but a formal forecast "ought wisely to be conservative" and is accordingly "materially less" than the revised budget figures.

The forecast is for trading profits of £8.7m. for the 52 weeks ending October 1, 1977; a pre-tax profit of £5m. and earnings of £3.35m.

This would give earnings per share of 31½p or 19p on full conversion of convertible stock and the new preference shares.

The assumptions on which the forecast is made include: no changes in current interest rates; the rate of inflation will not exceed 15 per cent. annually and increases in wage rates will be within the voluntary pay policy.

For the steel group, the major constituent of the Dunford group, the specific assumptions are that sales volume "will continue in line with levels and trends recently experienced," representing a material increase over the previous year; and that selling price increases will take place during the year but not enough to "fully set off cost increases."

A *dividend forecast* will be included in the provisional allotment letters for the rights issue to be sent out by about Christmas.

In answer to a shareholder at yesterday's extraordinary meeting Mr. Frank Welsh, chairman of Dunford, said that "one could draw one's own conclusions as to what an appropriate dividend payment should be" in the light of the forecast.

Mr. Welsh describes the apparent recovery seen at Dunford recently in terms of improved plant utilisation and profit margins in the steel group although a low order intake has affected the engineering group.

He says "the group is now in a strong recovery phase and requires a period of stability to reap the benefit of the acquisition of Brown Bayley Steels and the recent development programme."

"No further capital expenditure of any magnitude is necessary for the next three or four years and thereafter only a modest investment in ancillary plant should be required to increase outputs further to meet the requirements of the next decade."

"The increased profits, together with the very low tax payable and minimal capital expenditure necessary over the next few years, will enable borrowings to be materially reduced at the same time as shareholders funds are increasing, thereby strengthening the capital structure of the company."

Mr. Welsh said he thought the present figures would show the JFB bid to be "entirely superfluous" and that he hoped shareholders would agree that "there is no way that shareholders could consider selling their company at just over one year's after tax earnings." He recommended shareholders to ignore and not just reject JFB's offer.

Dunfords' shares raced ahead yesterday on the news of an official profits forecast by 5p to 41p compared with the offer price of 36p represented by JFB's price of 45p.

Johnson and Firth Brown has convened an extraordinary meeting for January 4, the day before the first official closing date for its offer, to approve an increase in its authorised capital from £26.1m. to £39m.; this is to enable it to implement the Dunford offer and also to make its proposed conditional one-for-three rights issue to raise some £10m.

Battle looms as Hestair puts in offer for Spear & Jackson

Hestair, the industrial holding ompany, is bidding approxi- ately £5.65m. for Sheffield utlery and hand tools group pear and Jackson following the nnouncement last month that it ad built up a stake of 18¾ per ent. in the company.

The bid is almost certain to be pposed. Spear and Jackson has sued an immediate statement to he effect that it would be con- idering the terms of the offer rithi ts financial advisers, mer- hant bankers Robert Fleming. hareholders are being advised y the Spear and Jackson Board o take no action. Having noted he terms of the offers, the Board f Spear and Jackson "will give hareholders their considered iews following despatch of the ormal offers."

Spear and Jackson was confident yesterday that it could repel the bid, which is regarded as inadequate in light of the 170p assets per share. The chairman and his family interests alone account for over 25 per cent. of he votes.

There is also the prospect of third party entering the picture. was confirmed that there had een other approaches, including ome from abroad.

Terms of the bid are three ares in Hestair for every two pear and Jackson. This values e offer, with Hestair closing st night at 71p, at 106½p for ch Spear and Jackson Ordinary are. Arrangements have also en made with Barclays Mer- ant Bank for a cash alternative orth 94½p per share. Spear and ckson ended the day 8p higher 106p, after 108p.

Hestair, which operates in the eas of commercial vehicles, ricultural engineering, educa- n and leisure and employment encies, is also forecasting that group will make pre-tax ofits, before minority interests d extraordinary items, of £4m. the year ending January 31, 7. This figure compares with 1m. for the previous financial ar. The final dividend for 1976-7 is forecast at 5.6063p net share.

comment

stair has caught Spear and Jackson at a vulnerable time: the quarter profits fall last year was the first downturn in a decade, and the 11.5p earnings per share was back to the 1970 level. High interest charges was one reason, with a 1:1 debt:equity ratio. Meanwhile, S and J expects a return to growth in this year's second half. But it is doubtful they can match the strong strides which Hestair has made in the past five years, with profits doubled in the past two years alone. As for the figures, Hestair's £5.65m. bid values S and J's shares at 106p where the exit p/e is 8.9. That compares with the cash alternative from Barclays (underwritten at last year's rights issue price) of 94½p, and a net asset value of 168p after the recent revaluations. S and J shareholders also stand to gain gross dividends equivalent to 12.9p, up 60 per cent. on the maximum they can get if they stay where they are. So the price is not without its attractions. The problem for Hestair is that to avoid earnings dilution on full acceptance, S and J would need to produce a 75 per cent. increase in pre-tax profits this year. Last night Hestair closed at 71p, down 1p; and S and J were 106p, up 8p.

KELLOGG FACTORS

The boards of Kellogg Holdings, Belgrave Assets and Lothian Investment Trust announced that on November 16 a wholly-owned subsidiary of Belgrave and a wholly-owned subsidiary of Lothian each acquired from Kellogg 27,500 £1 Ordinary shares in Kellogg Factors being 27½ per cent. of the Ordinary capital for a consideration of £27,500, thereafter both subsidiary companies subscribed in cash for 173,000 7 per cent. £1 non-cumulative Preference shares in Kellogg Factors at par.

It is considered that the injection of further capital will enable Kellogg Factors to continue its expansion thereby enhancing the value of the investment in the medium term.

SMITH INDS.

Smiths Industries has acquired Miller and Edwards and its associate M. and E. Seals. The consideration is £597,490 satisfied by cash £298,750 and the allotment of 271,582 Ordinary shares.

Miller and Edwards operates as a distributor of bearings and associated products from a number of depots throughout the U.K.

LAP HENG-INGERSOLL

Acceptances of Lap Heng Company's offer for the Ingersoll Group were received for 29,469 shares. The offer has lapsed.

DATA DYNAMICS

Lohmann und Stolterfoht, a member of the Mannesmann group, will acquire a majority share in Teleprint GmbH from Data Dynamics, of the U.K. for an undisclosed sum.

Lon. City and Westcliff rejection details

he property portfolio of ndon City and Westcliff has n revalued by Robert Ellis at .3m., against a book value of 4m. on September 30, 1976. s represents a reduction of p in the September asset e per share figure of 40.2p.

owever, after directors' esti- es of the additional value in residential portfolio on a ak-up basis, the additional e within the commercial port- o (together worth 10.5p per re), plus the monies receivable n the liquidators of Israel- ish Bank and the value of -term finance (worth a her 9.4p per share) the asset e per share emerges at 38.5p. hese figures, contained in a nal document, form the basis the rejection by the LCW rd of the 22p per share cash r from Lonrho, the trading up headed by Mr. R. W. ny" Rowland, which already ls 35 per cent. of LCW.

r. J. H. Lew, the managing ctor of LCW, tells share- lers that the four members of Board who are conencted with rho "have now had several ths to examine in detail and ss the affairs of LCW, and it light of this knowledge that rho has decided to make an r of 22p per share."

he document argues that the r for the Ordinary shares is dly inadequate and describes offer of 33p for the Prefer- e shares as being less than erous.

he Robert Ellis valuation was an "open market basis," the ument says, and "the execu- directors accept that this ation reflects the level at ch the group's properties ld have been sold in the ressed market conditions pre- ing at the valuation date."

On the residential portfolio the directors estimate that there is a surplus of £7.3m. over the Ellis valuations. And on the commercial portfolio the directors estimate a surplus of £1.97m.

It is further expected that LCW will receive over £1m. from the joint liquidators of Israel-British Bank which owed the group £2.8m.—a sum already written off.

Shareholders are also told that LCW is taking legal action against the vendors of the Centre Nord property in Paris and that they "may consider it appropriate to bear these circumstances in mind when considering LCW's asset value."

The unaudited results for the 12 months to September 30, 1976, show that LCW made an operating loss before tax of £1.1m. of which £860,000 relates to the Centre Nord property. There are also extraordinary losses of around £430,000, including £350,000 relating to exchange losses.

It is anticipated that overdrafts will be reduced by a further £4m. in the year ending September 30, 1977, and that there will be increases in income as a result of rent reviews and reversions.

The directors are expecting to be able to recommend a return to dividends next year "at a rate significantly higher than the payments of the last two years."

Lonrho immediately hit back at the LCW document last night, stating that it did not intend to increase its offer. The statement argued that if the Richard Ellis valuation were to be substituted, the asset value of LCW would be only 18.8p and that the addition of the 1.2p that it was hoped would be recovered from the Israel-British settlement would only increase this to 19.8p per share, "still less than Lonrho's bid."

Genting opposed to Golden Hope merger

An open threat to the plan for a three-way merger of Golden Hope Plantations and two other companies in the Harrison and Crosfield group emerged yesterday with the news that Genting Highlands Hotel Berhad, the South East Asian concern which with associates has recently built up a 21 per cent. stake in Golden Hope, is opposed to the merger.

It was reported from Kuala Lumpur yesterday that Genting found the terms unattractive.

Golden Hope, Pataling and London Asiatic, in each of which Harrisons and Crosfield and associates hold interests of 26 per cent. is to be acquired under the merger scheme by a new Malaysian company, HPB, which would in turn be partly owned by a new U.K. company, HME.

A spokesman for N. M. Rothschild, advisors to Genting, said yesterday that Genting had hoped to have had a significant stake in the new company; under the present proposals it was likely that Genting would have only a 10 per cent. stake in the new Malaysian company.

There is a real worry that the scheme contains an element of "pyramiding": with Harrisons opting for 26 per cent. of the new U.K. company and not all other shareholders expected to follow suit, Harrisons could end up *with an important stake in the* controlling U.K. company.

However, Harrisons claims that *it is opting for the U.K. company* for tax reasons and not to perpetuate control of its investments.

Baring Brothers, which is acting for the merging companies, made no comment on the new development yesterday but as a 75 per cent. majority of shareholders' votes at the meeting scheduled for January 10 is required to allow the scheme to proceed, Genting's action poses a serious problem.

CONCRETE BUYS DOWSETT PILING

CONCRETE has acquired Dowsett Piling and Foundations, an unlisted public company, for £636,000 in cash. Irrevocable undertakings have been obtained from holders of 90.3 per cent. of the company's shares, including directors who hold 40.5 per cent., for the terms which after a capital reorganisation are £1.59 a share.

For the year ended March 31, 1976, Dowsett's pre-tax profits were £272,000 (£196,885 in 1975) on sales of £1.9m. (£1.4m.). As at March 31, 1976 Dowsett's net tangible assets amounted to £308,350.

SWS SELLS ADDA STAKE

Adda International announces that it has been advised by Slater Walker Securities of the sale of its holding of 3,009,448 shares representing 16.93 per cent. of the company's capital.

CGF—BRITISH BORNEO PETROLEUM

Discussions are in progress which may result in Consolidated Gold Fields making a cash offer for the approximately 75 per cent. of the British-Borneo Petroleum Syndicate capital it does not already own.

Letters to the Editor

Running down the EEC

From the Director and General Manager, Lucas Kienzle Instruments.

Sir,—In stating that the Government has no intention of enforcing compulsory legislation of tachographs in lorries driven in Britain (December 10), Mr. Rodgers has gone further than was necessary or desirable. The Government is not flouting an EEC directive as your reporter suggests, but a whole batch of EEC regulations which stem directly from the Treaty of Rome. Successive Transport Ministers have been fully aware of this but have chosen to adopt a curiously ambiguous line, which has confused tachograph and vehicle manufacturers, their distributors and vehicle operators. A result of this mismanagement is that many millions of pounds have been spent, in good faith, to support a product which has won the acclaim of those who have used it, as an enforcer of the drivers' hours law and as a reminder to drivers and operators that badly used lorries are dangerous.

The Secretary of State's assurances to the Transport and General Workers' Union does at least leave the door open for tachographs to be fitted to vehicles engaged in international transport and on a voluntary basis, to vehicles in the U.K. in those cases where drivers and operators both agree to their use. The latter assumes of course, that such vehicles will not be "blacked." There is, unfortunately, a problem. Who will instal, calibrate and service these tachographs? The answer, as far as we can judge, will be nobody—for there will not be enough business to support a reasonable agency network as long as lorry "blacking" continues to occur each time voluntary fitments reach a level where there is again talk of legislation. Furthermore, it is pertinent to ask, who in the transport industry will believe any statement on impending legislation ever again? It will from now on be a case of "wait and see" or "if we are sufficiently unco-operative it won't happen."

As far as we can see, nobody comes out of this rather shabby story with credit, and it will be interesting to see how the European Commission, whose responsibility it is, reacts to Mr. Rodger's defiance. After all, transport harmonisation is one of the fundamental concepts of the EEC and if the U.K. proves that it is possible for the Community transport laws to be ignored at the whim of sectional interests, how long will it be before other member countries follow suit and disregard laws which do not happen to please them? There is a very real danger that if Mr. Rodger's decision is allowed to pass unremarked, the Commission could ultimately find itself presiding over a disintegrating Community.

F. Kay.
Plume Street,
Birmingham.

Synthetic alcohol

From The Secretary, The Gin Rectifiers and Distillers Association.

Sir,—In the article on "New Tax on Spirits Proposed by EEC," published in your paper on December 3, there is an implication that synthetically produced alcohol is used in the production of alcoholic spirits for human consumption in Great Britain.

This is not so. In the case of gin, the greater part of United Kingdom production is from alcohol distilled from grain, and the remainder is from alcohol distilled from molasses. None comes from synthetic alcohol.

W. F. Cooper.
37, Waterford House,
110, Kensington Park Road, W.11.

Lunatic linking

From Mr. E. H. Bateman

Sir,—A crazy consequence of relating indexed occupational pensions to the Retail Prices Index, instead of to the current rate for the corresponding rank or grade on retirement, is that many former public servants will now be receiving more in retirement emoluments than their younger colleagues of adjusted seniority still in service.

Consider, for example, retirement in December 1973 from a salary of £8,000 after 40 years' service. The initial pension was £4,000, but now after only three years the RPI related increases, compounded at 69.48 per cent., have raised this to £6,780. Add the National Insurance Retirement pension of £1,270 (if married) and the total is £8,050, roughly the same as the gross pay of the present incumbent whose salary has risen little during the deep freeze of these three years. If we also take into account his relief from the after-tax expenses of going out to work —travelling, subsistence, and wardrobe—the pensioner is already much better off than his replacement in post, before considering the cash grant or gratuity which he received on retirement.

This sum in our illustrative example would have been £12,000, which three years ago could be invested to produce an income of £1,500 without putting the capital sum at risk. Now, however, especially if the pensioner has some other savings, his large increments in basic pension will be pushing him up to an unacceptably high marginal rate of income tax, and his only financial problem may be to reduce his gross income to a more reasonable level. After considering the effect of CTT on a family gift or settlement he may well decide that the best way to deal with the retirement grant is to spend it.

For a pensioner with pay lower than £8,000 on retirement not less than three years ago the proposition still stands that he will be better off in comparison with his replacement on full pay which has been supplemented by modest increments, because the N.I. retirement pension will carry more weight in the balance sheet.

This massive windfall of spending power adds fuel to the fire of inflation, as well as being so grossly unfair to men and women at work. The lunatic linking of occupational pensions to the Retail Prices Index constitutes a time-bomb under the fragile edifice of pay restraint.

E. H. Bateman.
Sandyridge Cottage,
Upper Bourne,
Farnham, Surrey.

Pensions and the unemployed

From Mr. J. R. Pentelow.

Sir,—I refer to your report on the debate in the House of Commons on the second reading of the Social Security (Miscellaneous Provisions) Bill—Clause 4 which took place on December 2, and would like to draw attention to one argument against the clause limiting eligibility for unemployment pay for those in receipt of occupational pensions above a certain limit. This argument was not really made in the debate.

My point is that the employers' and employees' contributions towards occupational pensions are entirely funded and are really a quite private matter between employer and employee and completely irrelevant to the payment of unemployment benefit. Therefore the pensions should not be taken into account when assessing eligibility for unemployment pay. I realise that income-tax relief is granted on the occupational pension contributions, but the pensions when received are correspondingly taxable.

It seems a strange contradiction that the Government should support the principle of occupational pensions to augment the State pension and yet at the same time use the payment of occupational pensions over £25 per week to inhibit the freeing of more senior jobs which would facilitate promotion down the line and thus help to provide the very differentials which the Government is unable to allow under the pay policy.

J. R. Pentelow.
38, Bromeswell Road,
Ipswich, Suffolk.

Plant builders in China

From The Vice-President, Far East Operations, Pullman Kellogg.

Sir,—The report on Pullman Kellogg activities in the People's Republic of China (December 2) has just come to my attention here in Houston. With regret I must inform you that it is inaccurate and misleading.

Although there have been nominal gas supply problems, the report that the Chinese are deliberately holding back the natural gas feedstock is absolutely wrong. We have had the full co-operation of the Chinese in supplying gas to their plants during the start-up operations.

The reported explanation that the Chinese were holding back gas as a means of retaining our people is wrong as is the reasoning. The Pullman Kellogg personnel are in China on a per diem basis. All to the account of the Chinese. We are reimbursed for each man-day that our personnel remain in China. In other words, prolonging their stay increases the Chinese costs.

An ammonia/urea fertiliser complex is one of the most sophisticated process units in modern industry. As reported, the Chinese awarded to the Pullman Kellogg group eight of these complexes in different parts of China. This is a giant undertaking. Certificates of construction completion have been executed by the Chinese for the first four ammonia/urea complexes. These plants are now in commissioning and start-up operations. Under the best of circumstances commissioning and start-up operations can run from several weeks to a few months. Two of the four plants have been operated at between 85-95 per cent. design capacity during this shakedown period: the third has just started fertiliser production: and the fourth is scheduled to produce urea by the year end.

The presence of the Pullman Kellogg technicians at the various plant sites is to the mutual advantage of the Chinese and Pullman Kellogg. Their objective is to assure the expeditious optimising of plant operations so as to meet the design capacities and to fulfil our acceptance test runs.

Walter Buryn.
Houston, Texas, U.S.A.

Scots Tories and grouse

From Mr. Daniel Grant

Sir,—Contrary to the view expressed in "Man of the Week" (December 11) the Conservative Party in Scotland owes very little to people in tweed suits on grouse moors.

Records show that Glasgow's first Tory MP, a Mr. Whitelaw, was elected in 1874 through the efforts of the Glasgow Working Men's Conservative Association. These associations were formed all over Scotland and became the basis of the present Conservative organisation. The Scottish Conservative Party is therefore a workers' movement.

It is not surprising that a vast section of the working population in the Cathcart Constituency of Glasgow consistently votes for Teddy Taylor.

Daniel Grant.
c/o McKelvie,
62 Dundrennan Road, Glasgow.

INTERNATIONAL FINANCIAL AND COMPANY NEWS

Growth seen at Vienna savings bank

BY PAUL LENDVAI

VIENNA, Dec. 14.

ZENTRALSPARKASSE the leading Vienna-based Austrian savings bank expects a 16.2 per cent. rise in turnover this year to a record total of Sch.55bn. (£1.96bn.). Announcing this at a press conference. Dr. Karl Mantler, director general and chairman of the board, added that savings deposits would be up by 18 per cent. to Sch.13.7bn. this year and other deposits by 9.6 per cent. to Sch.18.3bn. Loans would rise by 19.2 per cent. to Sch.33.5bn.

Through a disproportional expansion of credit the bank managed to absorb the interest rate differential so that earnings before taxes would probably remain at last year's level.

Turning to the overall situation in the Austrian credit sector, Dr. Mantler praised a decision of the Central Bank not to carry out any squeeze measures. Demand was primarily motivated by the actions of the public authorities and restriction would only lead to a weakneing of the order book situation. Furthermore, there was no sign of a liquidity squeeze, he added.

Meanwhile the 12 month growth rate of savings deposits dropped from 18.2 per cent. in October to 17.7 per cent. As far as disposable incomes were concerned, the rate of growth would drop from 15.4 per cent. in 1975 to 11 per cent. this year and probably to eight per cent. in 1977.

At the same time it was estimated that the savings quota would also drop from 14.3 per cent last year to 14 per cent. this year and to 13.5 per cent. in 1977, while a considerable acceleration of the growth rate has also been noticed in the demand for loans.

During the first 10 months of this year lending was up in Austrian banks by 12.2 per cent. against 8.1 per cent. during the same period last year. It was emphasised that the present rate had almost reached the 12.8 per cent. growth registered in 1972 when as a result severe restrictive measures were imposed on banks and credit institutes.

● The supervisory Board of Oesterreichische Laenderbank, No. 2 in Austrian commercial banking, to-day appointed Dr. Wolfgang Erndl as chairman of the Board and director general as successor to Dr. Franz Ockermueller who died 10 days ago.

Dr. Erndl, 55, has been with the Bank since 1948 and became a member of the Board in January 1971. The new director general, whose chief hobby is sailing (he took a fifth place at the Olympic Games in Helsinki in 1952 and was also twice European champion) has been hitherto in charge of credits and bond issues. As the Laenderbank is State-controlled with a majority interest held by the Federal State, the appointment of his successor was in fact decided by a meeting of the Praesidium of the ruling Socialist Party.

Dr. Bruno Tichy, since 1976 first vice-governor of the Central Post Office Savings Bank, was nominated to-day as new member of the Board. The 42-year-old banker was also associated with Laenderbank between 1958 and 1974.

The smooth and quick transition to a new leadership is important because Laenderbank is a major power in the small world of Austrian banking. Its balance sheet at the end of August reached Sch.61.4bn. (£2.18bn.) Including OCI, a regional bank, and Autofina, the hire purchase bank, the group balance sheet totalled Sch.75.3bn. In addition to these interests the bank has also substantial industrial holdings in two engineering companies (Voith and Wagner-Biro), Lenzing AG, the man-made fibre producer and a cement plant. Production staff of the four enterprises controlled by the bank is about 11,400.

Danish insurance

By Hilary Barnes

COPENHAGEN, Dec. 15.

THE GOVERNMENT will obtain powers to appoint representatives to the supervisory boards of insurance companies if a parliamentary bill now in preparation is enacted. This would bring the insurance companies into line with the commercial banks. The Government also plans to set up a new insurance industry directorate and an inspectorate for insurance. The proposals follow recommendations made by a recent commission on the insurance industry.

EUROMARKETS

Anxiety among LDC bank creditors

BY TONY HAWKINS

IT IS NOT only the oil-importing countries, and particularly the less developed ones, who are watching this week's Opec deliberations with anxiety, and even apprehension, but also their increasingly - important bank creditors. One of the major consequences of the steep rise in oil prices since 1973 has been to transform the LDC current account deficit from some $11bn. in 1973 (about 1.9 per cent. of GNP), to $49bn. last year (6.2 per cent. of GNP), according to estimates published this week in the OECD's 1976 Development Co-operation Review (Table 1).

Table 1

CURRENT ACCOUNT DEFICIT of Non-Oil LDCs

$ bn.	1973 Actual	1974 Actual	1975 Estimated	1976 Estimated	1977
Trade balance	−14	−40	−47	−38	n/a
Services + private transfers	+ 3	+ 1	− 2	− 3	n/a
Current a/c deficit	−11	−39	−49	−41	−45/49
Current deficit as ratio of GNP	1.9%	5.2%	6.2%	4.6%	n/a

Sources: OECD and International Financial Statistics

The initial fourfold rise in the oil price added some $12½bn. to the LDC current deficit and last year's 10 per cent. oil price increase topped this up by a further $1bn. to $1½bn. The financial inflows necessary to accommodate such a rise in import spending by LDC's could not have been provided by the official agencies, international institutions and bilateral assistance.

The gap was filled by commercial bank borrowing — excluding export credits — on an unprecedented scale. The OECD says that whereas such bank lending had averaged only about $1bn. a year between 1968 and 1972, by 1975 it had risen to $7.6bn. which was close to the ceiling for non-oil LDC borrowing from all sources in any year prior to 1974. The share of debt on commercial terms (export credits, syndicated bank loans and bilateral banking flows) has grown significantly in recent years while debt to be serviced on soft terms has declined. The terms on which some LDCs — and it is important to emphasise that only a minority have borrowed heavily in this commercial market — have been borrowing in recent years have been far less favourable, especially in so far as maturities are concerned, than official lending.

According to the OECD report, reported debt service of non-oil LDCs is expected to rise from $9.1bn. in 1973 to $17.8bn. (forecast) this year. The share on service of commercial debt over this period would rise from 67 to 77 per cent.

In the past three years several countries have run into serious debt servicing problems. In two cases, relief has been provided through the framework of the Paris Club—for Chile in 1974 and for Zaire this year—while since 1970 the OECD estimates that some 50 countries, mainly the poorer ones, have obtained bilateral debt relief assistance.

Just how precarious the position has become for some LDCs is evident from table two showing the percentage of reserves to annual imports for selected countries. Although many of these countries have taken steps to cut their import bills, their capacity to do this is limited, particularly where the poorest countries are concerned. Essential imports—food, petrol and fertiliser—account for about 35 per cent. of total imports, while a further 15 per cent. of export earnings is earmarked for debt-servicing.

Even so, UNCTAD figures show that while developed countries increased their import volumes 21 per cent. between 1970 and 1975, the poorest LDCs (those with per capita income in 1974 of below $200) achieved only a 5 per cent. rise.

While these poorest LDCs may be the most in need of assistance, in absolute terms their current account deficit is small compared with that of the more prosperous developing economies, and, furthermore, they have either not borrowed—or not been able to borrow—significantly from the commercial banking sector.

Table 2

RESERVES as a Percentage of Annual Imports: Selected Countries

	End '73	End '74	End '75 (prov.)
Bangladesh	18	14	14
India	37	26	26
Pakistan	46	24	18
Sri Lanka	23	12	9
Sierra Leone	38	28	15
Tanzania	33	8	10
Zaire	26	11	5
Argentina	67	41	13
Brazil	104	42	33
Peru	52	51	22
Uruguay	93	50	33
Egypt	25	12	7
Kenya	43	21	22
Zambia	36	22	16
Portugal	103	55	43
Turkey	113	55	25

Source: International Financial Statistics

Thus, their 1975 deficit on current account is put at some $7½bn. whereas the middle and higher income LDCs had a deficit last year of $41bn.

It is against this background that the OECD report warns that the rapid accumulation of Euro-currency and other international loans has created a precarious situation for several developing countries. "The relatively high cost and short maturities of Euro-currency lending have saddled countries with high service costs and a delicate maturity structure of their external debt."

Making matters worse is the fact that much of the syndicated loan finance and export credit is being used to fund consumption rather than investment. Too little is being devoted to export-generation and import-substitution and too much to medium term balance of payments financing predicated on the Micawber-like assumption that something will turn up before too long.

The OECD's Development Assistance Committee takes a moderately optimistic view of the prospects for oil-importing LDC's, despite the rather gloomy factual background to its 1976 report. It notes an improvement in the 1976 situation — with the LDC current deficit estimated to have fallen from $49bn. to $41bn.—attributable mainly to the cyclical upturn in OECD countries, and to better harvests. It also sees "encouraging signs" of an improved flow of financial assistance from official sources to the LDC's with IMF facilities alone likely to be some $3bn. more this year.

At the same time, the *imponderables and question marks are not overlooked.* In the short to medium term, there are question marks against both the strength of the upswing in the industrial countries and the future availability of commercial bank funds for LDCs. In that longer run, there is the fact that the LDCs are going to find it extremely difficult to adjust to higher energy prices and debt service ratios, while still accommodating a *reasonable rate of economic growth.*

On financing, the biggest questing. There are signs that some OECD report concerns the proceeds of Euro-currency borrowing. There are signs that some developing countries are experiencing difficulties not only in maintaining a net inflow from this source, but even in rolling over existing loans. Because these Euroloans accounted for about 20 per cent. of LDC external financing in 1974-75, clearly it is critical that they may be maintained or replaced from other sources.

It is *far easier* to see the volume of Eurocurrency lending being maintained, or even increased, next year, than to visualise any alternative source of finance becoming available. Certainly the suggestion that LDCs make greater use of the bond markets — for longer term borrowing — seems inopportune under present conditions. The international institutions may well tap the bond markets increasingly for onlending to LDCs, but *there is little evidence* to suggest any enthusiasm on the part of bond investors for Third World risk.

Although there has been no obvious "crowding out" problem this year, — apart from the rather special case of the poorest LDCs — it could well materialise in 1977 even with continuing slack loan demand in the industrial countries. That the LDC deficit will increase next year — even without a real-terms rise in oil prices — is increasingly accepted. A deficit of upwards *of $45bn.* seems all too likely given the sluggishness of the international economy, the debt-service problem and terms-of-trade indications. This could mean that those that the banks perceive to be overborrowed, poor political risks or simply inefficient users of capital — in terms of giving consumption priority — will be left out in the cold.

Euroloan move by Community postponed

By Our Own Correspondent

THE $500m. 5-year Euroloan for the EEC has been temporarily postponed. The EEC said yesterday that while the Government of Italy still requires the funds, the loan is "not a matter of great urgency."

The EEC said that the negotiations for the loan have been very favourably concluded. A member of the banking syndicate raising the loan, Orion Bank, said yesterday that the loan had been oversubscribed on the indicated terms of a spread of ⅞ per cent. above Libor (London interbank offered rate). This is the lowest such spread to have been seen in the Euromarket for a loan of this kind since 1974.

Other members of the syndicate which successfully raised the loan are the European Banking Co., Banque de la Societe Financiere Europeene, Eurpartners Bank and Morgan Guaranty Trust Co.

The meeting of EEC Finance Ministers originally called for December 20, which was expected to formally agree to the terms for the loan, has been postponed and the Italian Finance Minister will next week be presenting his budget to Parliament.

In another important Euromarket development, Chase Manhattan says that the $500m. Eurocredit for Iran will be closed "in the very near future."

Chase, which is acting as Coordinator for the loan, says that due to certain technical legal matters, the negotiations over documentation took longer than usual.

EAB opens in London

Financial Times Reporter

EUROPEAN Arab Bank Limited has announced its incorporation in London and the opening of its offices at 29, Gresham Street, London, E.C.2. The bank is a wholly-owned subsidiary of European Arab Holding S.A., Luxembourg, a leading consortium comprising 16 banks and financial institutions from 11 Arab countries and 11 non-Arab banks—nine European and two Japanese.

The initial capital of European Arab Bank Limited is authorised at £10m., of which £5m. is subscribed and £2.5m. paid-up.

The bank intends to play an active role in all banking operations, including medium-term and project financing, financing of foreign trade, execution of foreign exchange transactions, acceptance of deposits for varying terms, and participation in loan syndications and financial issues in the Euro-currency markets.

German car decline feared

FRANKFURT, Dec. 15.

THE GERMAN MOTOR industry this year is forecasting the highest profit/sales ratio for seven years, but the outlook for 1977 is clouded by the possibility of slackening demand in both domestic and export markets, a spokesman for the German Motor Industry Association said.

The profit-sales ratio this year, based on latest estimates from member firms, is estimated at 3.4 per cent., against 0.9 per cent. last year and 3.6 per cent. in 1969.

The industry expects car production this year will probably grow about 20 to 25 per cent. from last year's 2.91m. units, but the likelihood of lower demand from foreign trading partners after the expected oil price rise, and an end to this year's growth in domestic sales means the production figure will be hard to repeat in 1977, the spokesman said.

The spokesman said new car registrations are likely to total 2.3m. units this year, topping the previous record 2.15m. in 1971. Commercial vehicle registrations will total 130,000 to 140,000 units, the highest since 1970.

Car exports, at 1.84m. units, will be about 25 per cent. higher than the 1.47m. last year, but still about 15 per cent. below the 2.17m. in 1973, he said.

The industry forecasts the share of the German car market taken by imports next year will stay at around 23 per cent. the same as in 1976, he added.

The spokesman said German motor firms were still careful about taking on new labour, a trend likely to continue into 1977.

This year's sharp production growth was achieved largely through overtime and extra shifts rather than new recruitment, he said.

The industry's workforce now totals just under 600,000, against 560,000 in January and the high of 634,000 in November 1973.
Reuter

Rieter sales down

BY JOHN WICKS

ZURICH, Dec. 15.

FOR THE financial year ended October 31 the Swiss textile machinery specialist Maschinefabriek Rieter AG, of Winterthur, reckons on a fall in its turnover from Sw.Frs.373.8m. to some Sw.Frs.350m., with production having been cut back and the work force reduced. Although there was a marked improvement in new orders, the volume of orders on hand dropped to some eight (12) months' production in 1975-76.

Nett profits are expected to be slightly down on the 1974-75 figure, but a surplus of about Sw.Frs.30m. will again be recorded after carrying forward former profits, and shareholders can expect unchanged dividends of Sw.Frs.310 gross per share and Sw.Frs.31 per participation certificate, the company says.

For the current financial year, Rieter anticipates "acceptable" results after the carrying out of *further rationalisation measures* and the meeting of a production budget lightly down on 1975-76 volumes.

EUROBONDS

Norway to raise DM200m.

BY TONY HAWKINS

THE KINGDOM of Norway is to raise DM200m. in the Eurobond *market with an issue of five-year* "bullet" bonds carrying an indicated interest rate of 6½ per cent. The lead manager for the issue, Deutsche Bank said yesterday that the bonds are expected to be priced at par next week.

The current yield on existing Norway paper in the deutschemark sector is in the 6¾ to 7 per cent. range, but five-year paper is in demand and the issue is likely to be well supported despite the rather tight terms.

Details of a *DM250m.* World Bank issue are expected to be announced later this week.

Venezuela is expected to come to the dollar sector of the market early in the New Year with a $100m. 7-year bond issue. Banking sources expect First Boston (Europe) to be lead manager and Venezuela is expected to raise a roughly similar amount in the New York market as well early next year.

Bankers rejected suggestions that Venezuelan banks have been precluded from participating in the planned issue, pointing out that the arrangements have been handled by the Venezuelan authorities in the same manner as in the past.

BONDTRADE INDEX

	Wednesday	Tuesday
Medium	102.13	102.09
Long	93.99	93.93
Convertible	106.58	106.33

CSR raises profit expectations

By James Forth

SYDNEY, Dec. 15.

CSR, the major sugar, building, chemical, mining and pastoral group, will benefit from devaluation of the Australian dollar and profits for the remaining four months of the current year should be higher than earlier expected.

The directors said in their interim report released to-day, however, that the extent of the increase and the offsetting effects of higher costs, such as shipping freights, made an accurate forecast impossible. In the six *months* to September, profit was up 13 per cent. to $A23.3m.

Sir John Dunlop, chairman, described the first half as disappointing and said the figures largely reflected the fact that widely held expectations of economic recovery both overseas and in Australia had not been realised.

"The upturn in the U.S. economy appears not to have been sustained at the pace earlier expected. Indeed, it may have flattened out."

Japan and Western Europe are doing less well than *expected.* Sir *John said* the devaluation should promote confidence while other economic policy measures were working their way through the economy. However, it would exacerbate the problem of inflation.

Sir John also announced his retirement as chairman and a director of CSR. He has been chairman for 18 years and is only the fifth chairman for the group since its inception in 1855. The new chairman is Sir Gregory Kater, who joined the Board in 1949. Sir *Gregory's grandfather* was one of the five chairmen.

SOUTH AFRICAN BOURSE

Cash flows encouraging

BY RICHARD ROLFE IN JOHANNESBURG

PRELIMINARY estimates by Johannesburg fund managers suggest that during 1977, institutional cash flows will exceed R820m. in discretionary money and that the sum available for investment in equities will be at least 60 per cent. higher than in the *present year. During* 1976, institutional cash flows have been subjected to a serious squeeze, in part self-inflicted and in part resulting from Government action. With the latest indications of greater availability of funds, the stock market has been extremely firm in recent trading and blue chip shares have staged a strong rally.

Pension funds

The pension fund, and life assurers *who dominate* the South African investment scene were for some time up to 1976 obliged to hold 50 per cent. of their assets in "approved securities," which in turn are mainly Government stock. In the 1976 budget, the Minister of Finance, Mr. Owen Horwood, obliged the institutions to increase their holdings of approved securities from 50 to 52 per cent. This apparently modest change had an inordinately large effect, as the 2 per cent. had to be found from discretionary cash flow over 1976.

It had less effect on new funds, with their generally higher returns, than on the old ones whose assets under management reflect large gilt holdings at low rates of interest. Even the newer funds had discretionary cash flows trimmed back to about 25 per cent., while in the case of the old ones the figure was as much as 40 per cent. Overall, institutional cash flows available for private sector investment in 1976 will be about a third down on the 1975 levels.

The self-inflicted aspect of the squeeze this year has been the heavy commitment of many institutions to property developments and other forward commitments. With very few major developments now in progress in Johannesburg and the other major cities, this problem has *largely been solved. But* at the same time, high short term interest rates have made cash an attractive holding especially in the somewhat troubled political climate, and there have been remarkably attractive opportunities in areas such as property leasebacks.

All this has meant that the normal institutional allocation of discretionary cash flow, which over the years has tended to be about 35 per cent. to equities, 35-40 per cent. to corporate debentures and convertibles, and the balance to property and leasebacks, *has been seriously disrupted* in 1976, with the main brunt of the disruption falling on the equity market. The unofficial estimate by one Johannesburg institution is that institutions invested only R165m. in equities during 1976.

But as 1977 draws near, preliminary estimates suggest that this figure could rise to about R270m. next year based on the probable R820m. of discretionary cash flow in the hands of the institutions and the assumption that about 35 per cent. of it will go into equities. This latter assumption is borne out by a study of reserve bank figures, which show that over the past ten years, institutions have never invested less than 17 per cent. of their total cash flow (equivalent, up to this year, to 34 per cent. of the discretionary figure) in equities. So the implication is that if conditions are right the sum available for equities could be much higher than R270m.

Even assuming R270m. in 1977, the increase over 1976 is equivalent to about 50 days' *trading at current depressed* levels. And another interesting fact is that the institutions as a whole receive about a third of their annual income in the first two months of the year, through December. Interest payments on government stock, pension fund contributions, and the "thick end" of a number of corporate dividends.

The stock market in Johannesburg has looked cheap on fundamentals, or at least what used to be fundamentals, for many months, but it does now begin to look as if *the* institutions will have the clout to do something about it. Positive factors include the improving trade deficit, some progress on repaying short term foreign debts, the strength of the gold price and, in strictly market terms, the very modest amount of new industrial scrip issued this year. Against that, the overseas tap remains firmly turned on among a number of market leaders. To take only two examples, there are still about 29.9m. SA Breweries on the London Register (down from 33.7m. a year ago) while in the case of De Beers, foreign holders hold a staggering 140m. shares.

Temptation

If this reads like the good news and the bad news, the worse news is that Senator Horwood might decide to knock the burgeoning revival on the head by asking institutions to top up their holdings of approved securities again. Probably the main consideration here will be the size of the defence budget, running at almost R1.5bn. this year and rumoured to be all set to reach R2bn. in 1977. The temptation to finance part of this rise by siphoning off institutional cash flows, possibly via an issue of defence linked bonds, may prove irresistible. But at least in the short-term fund managers seem to think the market is going better and are *putting their money in a place* not unadjacent to their mouths.

هكذا من الاصل

A HUGE PROJECT. THREE COMPANIES FORMED INTO PARTNERSHIP. IT TOOK FUNDS. IT TOOK EXPERTISE. IT TOOK CHASE.

'We had to review the raw material availability, the competitiveness of the project, :he capacity of the operators and :he marketing arrangements for the products," says Chase.

It started with Ekofisk, one of the richest oil fields in the North Sea. Three Norwegian companies agreed to take the oil by-products and help turn them into plastic.

Norsk Hydro, Statoil and Saga Petrokjemi chose Chase to advise how the project should be structured financially and to raise funds internationally. They knew we had the means.

One of our relationship managers was put in charge. His job was to look at the viability of the whole project. Then to look at the different sources of finance. And finally to assemble a package. He called in the bank's petroleum experts to assess the availability of raw materials.

He called in our petrochemical experts to look at the project as a whole and together with independent petrochemical consultants to look at the polyolefin plants and their prospects.

He called in our merchant bank, Chase Manhattan Limited, to help structure and eventually place Euroloans totalling over $150 million in the international markets.

Two Norwegian banks worked on the domestic financing and assisted him in assembling the total package.

The project was big, ambitious and complicated.

That is why we are telling the story in this advertisement.

Just an example. The Bamble Project.

our of the key Chase people on the Bamble Project from left to right: Andrew Greatrex, Executive Director of Chase Manhattan Limited, George Thiel, Head of the Nordic Area, Jim Adamson, Head of the European Petroleum Division London, and Andre Brand, Chase Relationship Manager.

For one year and four months Andre Brand lived lmost continuously with the Bamble Project. Between 'ovember 1974 and March 1976 the giant petrochemical mplex, nestling in the folds of what was once virgin ind in a Norwegian fjord, occupied around ree-quarters of his working life. "I have lost count of e number of times I went to Norway in connection ith this project, but it must have been more than 25". ys London-based Brand.

All of this effort was devoted to the assembling of two ajor financing packages totalling over $150 million, for rand is not a petrochemical man but a Relationship lanager in Chase Manhattan Bank's Nordic Area. ased in London. It was a measure of the complexity of e whole project that he and several other senior xecutives from different parts of the bank should have ad to commit themselves to it for so long.

HREE COMPANIES N PARTNERSHIP

Brand first became involved when the Bank was pproached as a potential source of credit by Norsk Hydro, lorway's largest company and one of three companies 'hich had joined forces to build a huge new complex of lants in the community of Bamble. The others were tatoil, the Norwegian government-owned oil company and Saga Petrokjemi, part of the Saga group formed by 96 leading Norwegian companies to participate in the development of North Sea petroleum resources; Bamble was to be a major step towards establishing a large petrochemical industry based on Norwegian sector feedstocks.

The approach to Chase reflected the bank's increased involvement in the Norwegian market during the last three years. Previously Chase had arranged a $200 million syndicated Eurocredit for Norsk Hydro in 1974. "After what we had already done in international petroleum financing, the three partners were prepared to give us first chance with Bamble", Brand says.

THE PROJECT

Bamble was designed to exploit by-products of the oil produced by the Ekofisk field in the North Sea.

Ekofisk is located in the Norwegian sector but it had proved technically more convenient to pipe the oil ashore at Teesside in England rather than in Norway.

The Norwegian government agreed to this arrangement on the understanding that the natural gas liquids would be brought back in tankers to a petrochemical complex built on a green-field site in Norway. Bamble was chosen among other reasons because it was located on deep water and Norsk Hydro's large chemical plant complex at Porsgrunn across the fjord and the industrial environment in this area provided some of the necessary infrastructure for a large project such as this.

Part of the Bamble plant site, a farmland adjoining a Norwegian fjord.

The project involving the three companies as partners comprised two stages. First was to be an ethylene plant. Its production target was 300,000 tons a year of ethylene and 50,000/70,000 tons of propylene. Half the ethylene would be absorbed in a Norsk Hydro vinyl chloride plant which was to be built nearby and the other half in the second stage polyolefin plants. This second stage would produce plastics suitable for ultimate conversion into a wide range of consumer and industrial products.

A PROPOSAL

The objective was clearly defined. One question was how to finance it. The three partners invited Chase to look at the project and come up with a proposal for an international financing.

Chase's philosophy when dealing with projects like Bamble, points out George Thiel, head of the Bank's Nordic Area, is centred upon its concept of the Relationship Manager. "It is not a question of sending a man in to do one deal, take a fee and then get out. The leadership of the team comes from the man who has the long-term relationship with the customer", he says.

continued ...

The Bamble Project continued...

The underlying assumption was that bank finance was going to be needed on a scale so big that it would take several banks to supply it. Any loans would therefore need the participation of a number of international banks.

Brand's role, as the Relationship Manager was in essence that of co-ordinator, working together with industry specialists and Euromarket specialists to produce a package at once acceptable to the borrowers and the participating banks. Satisfying the needs of three diverse customers and the demands of the banking markets was a task calling for skill, patience and not a little diplomacy.

CATALYST

George Thiel

Ultimately, Thiel says, the Bank was itself playing the role of a catalyst. The international loans, although big, were only part of a much wider package. The bank's job was also to assess how much debt the project could support in total and to recommend how other types of finance, both domestic and international, should be utilized to create the proper balance.

Thiel emphasizes that the deal would have been impossible without the Norwegian banks. "We think it makes every sense to work with local banks as much as possible", he says.

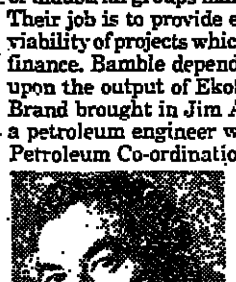
The first step was to take a detailed look at whether Bamble made sense financially. Brand says, "We had to review the raw material availability, the competitiveness of the project, the capacity of the operators and the marketing arrangements for the products".

TEAM EFFORT

Andre Brand

Inevitably much of the work was highly technical and Brand had to call on other departments of the Bank for help. "We had a team effort here. It's our strategy to pull in all areas within the Bank which can give specialist knowledge to provide the borrower with the best possible package that we can put together".

Chase has built up in-house technical expertise as a result of the formation of a number of industrial groups manned by technical experts. Their job is to provide expert advice on the viability of projects which the bank might want to finance. Bamble depended for its base materials upon the output of Ekofisk so at an early stage Brand brought in Jim Adamson, originally a petroleum engineer who heads the European Petroleum Co-ordination Division in London.



Jim Adamson

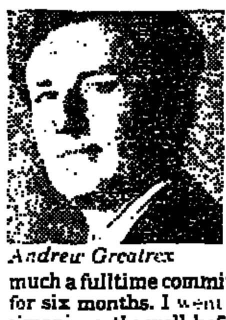
Adamson knew a lot about Ekofisk from the past.

"I was asked to review the source of the feedstock", he says. "My task was to talk to my oil company contacts to determine the availability of the natural gas liquids. I went to Oslo to look into the forecasts on the supply contracts and subsequently visited oil companies in London to discuss production levels and the reasonableness of the plant owners' estimates."

The problem was further complicated by the fact that, while all three partners had agreed to a joint international financing for part of their commitment to the ethylene plant, only Saga wanted financing specifically identified with its share of the polyolefin plants.

After almost a year of negotiations, a financing package was broadly agreed upon, embracing a substantial amount of export credit finance and long term bond issues in the Norwegian capital markets, for Norsk Hydro and Saga Petrokjemi, international loans and equity participation for all three partners. It was agreed that Chase would arrange a $120 million seven-year loan for the ethylene plant, split on a 3:2:1 basis between Norsk Hydro, Statoil and Saga to reflect ownership shares, plus a further $33 million, also for seven years, for Saga's polyolefin plant involvement.

THE SYNDICATION

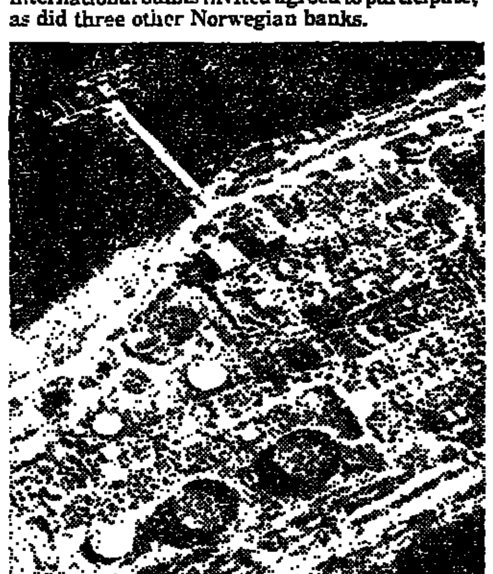


Andrew Greatrex

As the final touches were added to the package and discussions were started with other international banks, Chase Manhattan Limited took on an increasingly important role. Andrew Greatrex in charge of Western European syndication says, "It became pretty much a fulltime commitment for two people at CML for six months. I went to Norway about six times, mostly well before the loan signing."

It took two to three months to finalise the financing structure in agreement with the three partners and to incorporate it in the form of explanatory and legal documents necessary for other banks to assess the deal and decide whether or not they might be interested. By January 1976, however, CML was ready to take the deal into the market.

For the $33 million Saga financing, which was arranged together with Den norske Creditbank, CML went to a restricted group of banks from Europe and North America. All eight of the international banks invited agreed to participate, as did three other Norwegian banks.



Construction in September 1975.

The $120 million loan, being bigger and comprising three individual financings, took more organising. Chase underwrote 30 per cent of the loan. Five Norwegian banks came in as managers. Seven international banks, essentially among those closest to the three borrowers, were each offered participation as co-managers. Not one declined. By the time the deal had been fully syndicated 26 banks had joined in, and the loan was heavily oversubscribed.

THE CONCLUSION

Attitudes towards the loan, Greatrex notes, were very positive, largely because of the recognised viability of the projects, the standing of the borrowers and the groundwork that had gone into the preparation of the placement documents. Even so, it took over two months from the first approach to the market to the signing ceremonies in Oslo and London.

The ethylene cracker at Bamble. Completion is scheduled in 1977.
Air-photo: Fjellanger Widerøe AS

On a similar basis, Ray Careaga, a chemical engineer and technical director of Chase's chemicals division in New York, was called in to advise on the viability of the ethylene and polyolefin plants, together with an internationally recognised firm, Chem Systems International, in the case of the polyolefin plants.

STRUCTURING A PACKAGE

Meanwhile, work on the structuring of the financial package was proceeding. From the outset Brand had called in Peter Sterling, a project finance expert at Chase Manhattan Limited, Chase's London-based merchant banking arm.

Together their purpose was to devise a package which would satisfy the borrowers' need and meet Chase and market requirements. An essential part of the overall financing was to be raised domestically and here the Norwegian banks, Andresens Bank for the first stage and Den norske Creditbank for the second, played a leading role.

"A major problem", Brand recalls, "was that we were dealing with three very different entities". To ease the marketing process it was agreed that the loans for all three partners should be arranged simultaneously, although there was no joint financial responsibility and each was borrowing individually.

COMPLICATIONS

Norsk Hydro was already a well-known and respected name among international bankers. Statoil had the full backing of the Norwegian government. Saga Petrokjemi was an entirely new concern. To meet the differing nature and requirements of each borrower, a number of variations, therefore, had to be built into the structure of the separate deals, even though they were tied together under a common umbrella.

"About half that time was devoted to explaining and supporting the credits and the financing structure, and the other half explaining and negotiating the loan documents", Greatrex says.

"On each of the several loan agreements we received a significant number of comments from participating banks over a two-three week period. This involved some minor alterations in the documentation, but we had the job of reconciling any requested changes with the requirements of the three borrowers". The legal documents underlying the $120 million loan agreements—as distinct from the loan agreements themselves—ran to no less than 400 pages.

In sheer manpower terms, Bamble had proved to be very demanding upon the resources of the Bank. Such a complex financing can have its own rewards, however.

"It further cemented our relationships with old friends and introduced us to new companies", says Brand. "Completing a deal which satisfies both borrowers and lenders is the way we like to do business".

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INTL. FINANCIAL AND COMPANY NEWS

AUSTRIAN BANKING

Conflict over new levy

BY PAUL LENDVAI

THE AUSTRIAN economy, after recovering for almost a year from the deepest recession since the war, has just been hit by a package of steeply increased taxes, levies and stamp duties in addition to an upward revision of officially regulated prices. However, none of the measures appears to have caused such a storm as the new economic weapon—a federal levy to be imposed on loans to industrial and private borrowers. Since the Treasury's first draft was presented on October 20 to the institution concerned, its main provisions have been changed so often that many Socialist Members of Parliament, after the adoption of the Bill on November 30, admitted their ignorance as to the full implications of the new law.

The regulations, formally coming into force on January 1, subject all credits involving a sum of over Sch.1m. (about £35,000) to a federal levy ranging from 0.8 per cent. to 1.5 per cent. What upset both lenders and borrowers was not so much the government's intention to find new revenue sources to finance a massive budget deficit, but rather the sloppy way in which the new measures had been formulated. It was only after repeated protests that export, factoring and interbank credits were exempted from the levy. Foreign borrowers and public authorities are also not subject to this measure.

While some crucial points are still not completely clear, the latest version, which was finally voted by the Socialist majority in Parliament, provided for a de facto back-dating of the regulations. In order to avoid massive borrowing operations during the Parliamentary and public debates, money borrowed after November 1 is already subject to the new levy.

The leaders of the main opposition people's party, Dr. Josef Taus, himself one of the country's top bankers before his entry into politics last year, was quick to point out the ominous implications of the levy. Dr. Taus calculated that the new regulations will raise the cost of a three-year loan at 9 per cent. subject to annual repayments in three equal stages to at least 9.7 per cent. and of two-year loans to

Dr. Josef Taus

9.85 per cent. Thus, instead of encouraging industrial borrowing the Government through the new levy practically reverses the recent downward trend in lending rates, he said. Other consequences will be the further strengthening of the public sector, which is exempt from the levy, and the constraints placed on the less fortunate borrower—who can no longer freely choose among the banks, should he be dissatisfied with the service, because every new contract would be connected with the payment of another levy, the opposition chief warned. He added that the control of the new measures will necessitate the provision of more personnel and thus more costs for the federal State. No other State has a comparable law and the people's party will propose its abolition next year.

Government spokesmen, of course, dispute the opposition's gloomy predictions; the fact that two large Vienna banks have already announced the reduction of their loan service charges by 1 per cent. appears to lend some credence to the view that, in the end, the banks profiting from the revived demand for loans will absorb the 0.8 to 1.5 per cent. federal levy.

Be that as it may, the government will also have to calculate the adverse psychological impact of its squeeze measures, at a time when there is as yet no convincing evidence of a sustained upsurge in industrial investment. The credit levy is, after all, only a part of the tax package which in one way or another is liable to hit every Austrian. Business circles were also protesting against the increase in the wealth tax from ¾ per cent. to 1 per cent. as of January, 1977.

Vigorous expansion of commercial credits (up by 18 per cent. in October on a year-to-year basis), continued high savings rate (up by 19 per cent.) and a revival of demand for fixed interest securities combined with a decline in the long term interest rate from 9.43 per cent. in January to 8.5 per cent. in November are the main factors which characterise the banking scene. However, the impending changes in the elaborate system of federal subsidies for contractual savings contribute to the uncertainty with regard to the medium-term outlook.

Thus, the interest premium for four-year savings deposits will be reduced from 3.5 per cent. to 2 per cent. (in addition to the unchanged 6 per cent. interest paid by the bank concerned); and no withdrawal is possible for five years (hitherto four years). The state premium for building society deposits is to be cut from 25 per cent. to 17 per cent. Last, but not least the 15 per cent. federal rebate of the nominal price granted to small investors (up to Sch.100,000-worth of securities per annum) will also be cut to 10 per cent. The forthcoming change has, of course, given a powerful impulse to the purchase of fiscally privileged bonds this autumn.

Competition

At the same time, the new measures will also lead to a further sharpening of the competition between the various sectors of the banking system, namely the commercial banks, savings banks and credit co-operatives. Next year, over 1m. premium savings, building society deposits and life insurance policies will mature, involving an estimated sum of Sch.40bn. Austrian bankers estimate that only one-third to one-half of this total (equalling for example two months of the aggregate retail trade turnover in Austria) will be spent, and the rest reinvested in contractual or "normal" but anonymous savings. It will then be seen whether the consequences of record budget deficits have dented the small investor's confidence in the Austrian Schilling and the Government's ability to keep inflation within manageable bounds.

Brostrom to the aid of Skansen

By William Dullforce

STOCKHOLM, Dec. 15.

BROSTROM, the Swedish shipping concern, is buying two new OBO vessels from the Fernström Shipping Company, a subsidiary of the Skansen Lejonet Investment Company, for a price above their market value in a deal designed to save Skansen from insolvency.

According to Veckans Affärer, the Stockholm economic weekly, Broström is paying Kr.130m. (£18.6m.) for the two ships, which have a market value of Kr.110-115m. and a book value of Kr.80m. The vessels were built by the Götaverken shipyard and the price paid by Broström equals the shipbuilding credits advanced to Skansen by Götaverken.

The ships will remain registered with Fernström for two years during which Skansen will pay the interest of some Kr.10m. a year on the shipbuilding credits. During this period Skansen will give Broström a bareboat charter on the ships for roughly half the current charter rate.

This will be sufficient to meet 80-90 per cent. of Skansen's interest payments on the debt owed to Götaverken. At the same time Götaverken has agreed to postpone repayment of the debt principal for two years.

The deal means that Skansen liquidates its shipping interests after having recently slimmed down its share portfolio from about Kr.40m. to some Kr.10m. and is left with interests in quarrying, engineering plant products, real estate and a saw mill with a combined turnover of around Kr.200m.

Broström, which reported a pre-tax loss of Kr.82m. for the first eight months converted into a Kr.5m. profit after the proceeds from the sale of ships, earlier this year sold two OBO vessels of 150,000 tons for something over Kr.100m. Both had been laid up from the beginning of 1975.

EUROCURRENCY

Expansion slows down

BY TONY HAWKINS

DURING the first half of 1976 the Eurocurrency market expanded much more slowly than in 1975 largely because of a reduction in inter-bank activity within the European reporting area says the Bank of England quarterly bulletin published to-day. In the second quarter of the year, new credit channelled through the market to ultimate users increased to $8bn. from $6bn. in the first quarter. For the third successive quarter about $4bn. was made available by banks within the U.S. to countries outside the European reporting area—about half of which went to off-shore banking centres which channelled the funds to a wide range of countries.

In the third quarter the amount of newly-announced medium term credit was much the same as in the June quarter ($6½bn.), but new issues of foreign and international bonds were smaller at around $5bn. compared with $6.6bn. in the previous quarter, the bulletin says.

The growth of the London market—as measured by the banks' gross foreign currency liabilities—slowed considerably in the third quarter to $1.6bn. as against $3.4bn. in the previous quarter. Furthermore, about half this latest rise represented currency valuation changes so that there was little real growth during the period. The main suppliers of new funds to the London market were the oil-exporters which lent $1.2bn. raising the net amount outstanding from this source to $22bn.

At the very short end of the market the Bank of England quarterly shows a marginal improvement in the maturities situation. The excess of liabilities (deposits) with a maturity of less than eight days over similar maturity lendings had fallen from $7.9bn. in mid-May to $7.7bn. in mid-August (the latest available figure). But the maturities mismatch has deteriorated significantly in the one to three months category

HK Land withdraws from contested Wheelock bid

BY PHILIP BOWRING

HONG KONG, Dec. 15.

ONE OF the most-talked about takeovers in Hong Kong's history has finally fizzled into one of the greatest non-events as Hong Kong Land announced following a board meeting, that it had not received sufficient information from Wheelock Marden to allow it to formulate offer terms. Hutchison International, the other prospective contender for Wheelock, made a similar announcement yesterday.

Hong Kong Land would not say whether, in the event of Wheelock providing more information, it would return to the fray. Hutchison said yesterday that given sufficient information it could probably offer advantageous terms to Wheelock shareholders.

However, the whole question now seems academic. Wheelock now prefers to carry on as an independent company rather than reveal information which it regards as confidential. Its merchant bankers, Wardley, confirmed after the Hong Kong Land withdrawal that no further information would be relased.

Whether any other prospective bidder now materialises remains to be seen. Most brokers tend to discount the likelihood. There are not many companies big enough to absorb Wheelock alone, and the Wheelock board has ruled out gradual dismemberment. And if neither company is prepared to take on Wheelock without a closer look than hitherto possible at such matters as inter-group accounts, and management agreements, it might be hazardous for anyone else to try.

Wheelock is now promising to implement major development and reorganisation plans, though it is not known how radical these will be, or when they will be announced.

SELECTED EURODOLLAR BOND PRICES MID-DAY INDICATIONS

STRAIGHTS	Bid	Offer
Alcan 8¾pc 1988	104½	105½
Australia 8½pc 1991	100	100¾
Bowater 9½pc 1986	103	103½
Canadian N. Rwy. 8¾pc '86	100½	101½
Credit National 8¾pc 1986	97½	98½
Denmark 8¾pc 1984	99	99¾
E.C.S. 9¾pc 1986	102½	103½
E.I.B. 8¾pc 1983	101	101½
Erap 9½pc 1985	103	103½
Esso 8pc 1986 Nov.	103½	104½
Euroflma 8¾pc 1983	102½	103
Granges 9¾pc 1985	102½	103
I.S.E. Canada 9½pc 1986	104½	103½
Massey Ferguson 9½pc 1991	104½	105½
Michelin 9½pc 1988	101½	102½
Midland Int. Fin. 8¾pc 1986	97½	98
Modo 9pc 1986	97½	99½
Nat. Westminster 9pc 1986	99½	100½
Newfoundland 9½pc 1989	101½	102
Norpipe 8¾pc 1986	102½	103
Norsk Hydro 9pc 1991	101½	102½
Oslo 9pc 1988	101½	102½
Ports Autonomes 9pc 1991	99½	99½
Prov. Quebec 9pc 1984	100½	101½
Quebec Hydro 8¾pc 1986	98	99½
Prov. Saskatch. 8¾pc 1986	102	102½
Skandin. Enskilda 8pc 1991	100½	101
Volvo 9½pc 1985	103	103½
NOTES		
Australia 8¾pc 1983	102½	103
Australia 8¾pc 1988	101½	102
Dow Chemical 8pc 1986	102	102½
EEC 8¾pc 1982	101½	102½
Kockums 8pc 1983	99	99½
Michelin 8¾pc 1983	101½	102½
Montreal Urban 8¾pc 1981	99½	100½
Nat. Coal Board 8¾pc 1981	99½	100½
New Bruns. Prov. 8¾pc 1983	103	107½
New Zealand 8¾pc 1986	100½	101
Nippon Fudosan 8pc 1981	100½	101
S. of Scot. Elec. 8¾pc 1981	98½	99½
FLOATING RATE NOTES		
Vizcaya 7¼pc min. 1981	93½	94½
Urquijo 7¼pc min. 1981	97½	97½
Tokyo Hldg. 6¾pc min. 1981	101	101½
L.T. C.B. of Japan 6¾pc min. 1981	99½	99½
D. MARK BONDS		
Beecham 8pc 1983	101½	102½
EIB 6¾pc 1984	97½	98½
ICI 7¾pc 1986	98½	99
Inter Amer. Dev. Bk. 7pc 1987	97½	95½
New Zealand 7¾pc 1986	103½	104
Source: White Weld Securities, London		

CONVERTIBLES	Bid	Offer
American Express 4¼pc '87	84	86
Ashland 5pc 1988	88½	90½
Beatrice Foods 4½pc 1992	101½	103½
Beatrice Foods 4¾pc 1992	120½	122½
Borden 5pc 1992	102	104
Broadway Hale 4¾pc 1987	78½	80½
Canon Camera 7¾pc 1989	190	193
Carnation 4pc 1987	88½	90½
Chevron 5pc 1988	120	122
Dart 4¾pc 1987	85	87
Eastman Kodak 4½pc 1988	103½	105½
Economic Labs. 4¾pc 1987	76½	78½
Fed. Dept. Stores 4¾pc '85	118½	120½
Firestone 5pc 1988	87½	89½
Ford 6pc 1986	96½	98½
Ford 5pc 1988	88½	90½
General Electric 4¾pc 1987	85	87
Gillette 4¾pc 1987	75½	77½
Gould 5pc 1987	111	113
Gulf and Western 5pc 1988	95	97½
Harris 5pc 1992	97	99
Honeywell 6pc 1986	85	87
ITT 4½pc 1997	77	79
Komatsu 7½pc 1990	102	103½
J. Ray McDermott 4¾pc '87	144½	146½
Mitsubishi Elec. 7¼pc 1991	103	104½
Mitsui 7¼pc 1990	103	104½
J. P. Morgan 4¼pc 1987	109	111
Nabisco 5¼pc 1988	98	100
Owens Illinois 4½pc 1987	116½	119½
J. C. Penney 4¾pc 1987	84	86
Pioneer 6¾pc 1989	310	—
Raymond 8¾pc 1983	104	107
Revlon 4¾pc 1987	107	109
Reynolds Metals 5pc 1988	86	88

	Bid	Offer
Sperry Rand 4¼pc 1987	96	99
Squibb 4¾pc 1987	75½	77½
Texaco 4¾pc 1988	77½	79½
Toshiba 6¾pc 1990	106	107½
Union Carbide 4¾pc 1982	107	109
Warner Lambert 4¾pc 1987	81	83
Warner Lambert 4¾pc 1988	77½	79½
Xerox 5pc 1988	78½	80½

Source: Kidder, Peabody Securities.

VONTOBEL EUROBOND INDICES

14.5.76=100%

PRICE INDEX	7.12.76	14.12.76	AVERAGE YIELD	7.12.76	14.12.76
DM Bonds	103.02	103.37	DM Bonds	7.597	7.540
HFL-Bonds & Notes	100.91	101.66	HFL-Bonds & Notes	8.507	8.348
U.S. $ Strt. Bonds	101.42	101.79	U.S. $ Strt. Bonds	8.621	8.562

Nijverdal expecting further loss

By Michael Van Os

AMSTERDAM, Dec.

NIJVERDAL - TEN [illegible] Holland's largest textile [illegible] pany, revealed to-day [illegible] was again expecting [illegible] a loss of Fls.28m. on [illegible] Fls.410m. In 1975, losses [illegible] been of the same mag[illegible] The company also annou[illegible] further drastic cutback [illegible] by one-quarter.

Nijverdal said in a sta[illegible] from Almelo that where[illegible] had risen by 17 per cent. [illegible] period January to O[illegible] compared with the same [illegible] last year, it had been [illegible] sible to achieve the ne[illegible] price improvements, [illegible] larly as far as the sale o[illegible] ing materials was con[illegible] In addition, the cost co[illegible] with the major reorgar[illegible] programmes depressed [illegible]

It was also state[illegible] financing of the enterpr[illegible] been safeguarded [illegible] difficult period by a re[illegible] in stocks and the su[illegible] application for a subor[illegible] loan worth Fls.25m.

Nijverdal added later [illegible] areas of activity were [illegible] main sectors — [illegible] materials, household [illegible] and industrial textiles. [illegible] current restructuring [illegible] gramme, unprofitable [illegible] tion capacity was bei[illegible] stantially reduced. Thi[illegible] tion mainly affected the [illegible] tion of clothing materi[illegible]

The company said [illegible] the basis of the st[illegible] developments in the [illegible] sector—strongly rising [illegible] in a market that was [illegible] growing—"in the comb[illegible] the reduction of pro[illegible] capacity will have to [illegible] at the same pace as [illegible] make the company p[illegible] again."

Nijverdal, which alre[illegible] its staff reduced by ab[illegible] people to 4,800 people [illegible] "as a result of reorga[illegible] added that the staff [illegible] plans would continue [illegible] next two years whic[illegible] mean another cut in [illegible] some 1,200, cutting [illegible] staff by a quarter.

Higher sale[illegible] spur Nation[illegible] profit hope[illegible]

By Our Own Correspo[illegible]

AMSTERDAM, D[illegible]

NATIONALE - NEB[illegible] DEN, Holland's bigge[illegible] ance company, is expe[illegible] profits per share on [illegible] increased by the righ[illegible] "at least" to equal la[illegible] Fls.15.05 level.

Stating this projecti[illegible] executive Board mee[illegible] day, the company also [illegible] that it was looking fo[illegible] over rise of about 14 [illegible] compared with the [illegible] cent. increase achieved [illegible] It was pointed out in [illegible] that without excepti[illegible] tors in 1975 and 1976 [illegible] new acquisitions, [illegible] premium life policies [illegible] considerations and [illegible] rate fluctuations, the [illegible] rise this year could be [illegible] to be 18 per cent.

Nationale, which [illegible] to recent estimates [illegible] some 25 per cent. of t[illegible] life market and arou[illegible] the domestic non-life [illegible] noted in to-day's staten[illegible] the "serious deteriora[illegible] non-life results reporte[illegible] had not yet been foll[illegible] an upward turn. This [illegible] case particularly on t[illegible] market.

BOOKS

Fertile land

BY GEOFFREY MOORE

e New Oxford Book of American Verse, edited by Richard Ellmann. Oxford University, £7.50. 1,132 pages

The first *Oxford Book of* *erican Verse* edited by Bliss man, appeared in 1927. It an with an eighteenth cen- y broadside on John Paul es and a couple of poems by lip Freneau, the first strictly nited States" poet. There- er, it was a paradise of dainty ices, a garland of poesy by ior poets redeemed by some the names we have since ne to expect: Bryant, Emer- , Longfellow, Whittier, Poe, mes, Thoreau, Whitman, vell, Dickinson, Robinson, st, Lindsay, Masters, Sand- g.

n *1950* the late Professor F. Matthiessen of Harvard nged all that. In the second ord Book he greatly reduced number of contributors, ating—with only a few per- al aberrations — the great er than the minor, represent- the select few in some ume, and bringing the whole g up to date. Thus, in the ntieth century there was a of Eliot, Pound, Wallace vens and Williams, and the ette Woodward Reeses and ise Imogen Guineys of man's anthology were pro- ly relegated. In the *New ord Book of American Verse,* fessor Richard Ellmann has tinued in the Matthiessen lition, adding representative ples of the poets who have e to seem important since late forties.

he problem, always, in repre- ting the true nature of erican poetry for the general der is where to start. It does really begin until that period ch Matthiessen himself illed "the American Renais- e." Yet if the anthologist t the poets who wrote before he omits a considerable od of American history. nittedly, there were *few* in time of whom one could say, hand on heart, that they are ntrinsic literary value. Never- ess, they have their place in development of American try and only by knowing ut them can the reader under- d the unique contribution of h peculiarly American poets Emerson and Emily Dickinson.

o represent the 180 years ween the founding of the mouth Colony and the end of 18th century Matthiessen se the Puritan poets Anne adstreet and Edward Taylor and, in addition to "that rascal Freneau," Joel Barlow, whose mock epic "The Hasty Pudding" is such a delight. Ellmann has added another Puritan poet, Philip Pain, and the negro slave Phyllis Wheatley. In the nineteenth and early twentieth centuries Ellmann follows Matthiessen almost exactly, which is no disparagement, because all other anthologists since 1950 have had to do the same. It is equally true, for example, of Allen, Rideout and Robinson whose American Poetry has become the standard scholarly edition since 1965.

It is to the period since the Second World War that the interested reader will turn his chief attention, for many reputations have been made and many unmade in the past quarter of a century. Among the additions are Theodore Roethke, Charles Olson, Elizabeth Bishop, John Berryman, Robert Duncan, Richard Wilbur, A. R. Ammons, James Merrill, Robert Creeley, Allen Ginsberg, John Ashbery, W. S. Merwin, Ed Dorn, Gary Snyder, Sylvia Plath and Imamu Amiri Baraka—with which choice few but the most prejudiced would wish to dispute. For the rest, one might take issue with half a dozen names but no anthologist can please everyone.

What emerges from a survey of this large and representative anthology is a sense not only of the excellence but also the differentness of American poetry. As W. H. Auden put it, "From Bryant on there is scarcely one American poet whose work, if unsigned, could be mistaken for that of an Englishman.' What are the differences? Well, for one thing —apart from a few 19th century worthies—the great Americans are less obviously "musical" than the English. They have something to say, and they say it without ceremony; the techniques they have developed are more direct. Or—to quote Auden again—"One comes across passages, even in very fine English poets, which make one think: 'Yes, very effective, but does he believe what he is saying?': in American poetry such passages are extremely rare." Exactly—and English poets are now following the American. As Ellmann says in his elegantly written introduction: "American poetry, once an offshoot, now appears to be a parent stem." That this is so, his anthology both comprehensively and judiciously illustrates.

. *Geoffrey Moore is Professor of American Literature at the University of Hull.*

U.K. ECONOMIC INDICATORS

	1976			1975	
neral	Nov.	Oct.	Sept.	Nov.	Oct.
rrency reserves ($bn.)	5.156	4.703	5.158	5.606	5.710
ic materials (1970=100) ...	331.8p	327.8p	314.4	256.7	252.2
nfrd. prods. (1970=100)...	233.8p	229.9p	226.3	198.9	197.0
ms of trade (1970=100) ...	78.4	79.2	80.2	81.2	81.5
	Oct.	Sept.	Aug.	Oct.	Sept.
mployment ('000s)	1,377.1	1,456.4	1,501.9	1,165.4	1,249.1
illed vacancies ('000s)	139.8	141.7	129.8	132.0	143.4
k advances (£bn.)	15.493	15.003	15.100	14.132	13.782
il prices (1974=100) ...	163.5	160.6	158.5	142.5	140.5
ge rates (July 1972=100)	217.4	217.4	217.3	186.3	184.9
debt (£m.)¶	2,519	2,465	2,430	2,261	2,257
il sales val. (1971=100)	206.8	206.4	204.3	177.8	179.2
ustrial output (1970=100)	102.5	102.4	100.8	101.2	100.0
	1976			1975	
			Jan.-		Jan.-
e and Industry	Nov.	Oct.	Nov.	Nov.	Nov.
l, weekly average ('000 nnes)	487.1	457.7	433.5	402.0	389.8
orts fob (£bn.)	2.736	2.576	2.324	1.918	1.807
orts fob (£bn.)	2.226	2.222	2.000	1.637	1.552
ble trade balance (£bn.)...	−0.310	−0.354	−0.317	−0.281	−0.256
			Jan.-		Jan.-
	Oct.	Sept.	Oct.	Oct.	Oct.
('000s)*	109	100	110	93	105
mercial vehicles ('000s)*	29.9	29.5	30.5	29.6	32.7
ies completed ('000s)¶ ...	25.5	29.7	25.9	29.1	25.44
ts (millions)*	479	494	458	488	419
ent, weekly average ('000 nnes)*	299	314	309.5	353	331
sets ('000s)‡‡	257	279	200	250	210
os, radiograms ('000s)‡‡‖	374	343	305.8	423	384
			Jan.-		Jan.-
	Sept.	Aug.	Sept.	Sept.	Sept.
lture (1970=100)†** ...	150	147	149.7	154	153
oleum (m. tonnes)h	6.059p	5.400	6.510	5.964	6.530
ine tools (£m.)‡	30.6	24.5	28.7	32.3	26.8
tric cookers ('000s) f † ...	95.5	65.8	77.2	93.6	76.1
hing machines ('000s)† ...	105.3	58.1	75.9	84.5	83.2
			Jan.-		Jan.-
	Aug.	July	Aug.	Aug.	Aug.
made fibres (m. kgs.)* ...	43.82	46.72	50.97	40.77	45.71
ery (1970=100)**	99	95	96.25	98	95.6
neering orders on hand 970=100)**	89	89	91.7	108	117.4
cotton, weekly average 00 tonnes)§	2.51	2.19	2.33	2.28	2.15
wool (m. kilos)§	8.3	8.7	9.8	7.0	9.1
	1976		1975		
	3rd qtr.	2nd qtr.	3rd qtr.	2nd qtr.	Year
umer spending (£bn. 70 values)	8.860g	8.789	8.729	8.839	35.413
r trade turnover (1972=)	177	176	151	148	143
	2nd qtr.	1st qtr.	2nd qtr.	1st qtr.	Year
ling and civil engineering on.)e	3.163g	3.014	2.912	2.644	11.610

iduction. † Deliveries. ‡ Net sales. § Consumption. ** Seasonally sted. †† All manufacturing industries. ‖ Excluding car radios. eliveries, U.K. made and imported sets. d Prices. f Including r griller toasters. e Value of output. ¶ United Kingdom not nally adjusted. g First preliminary estimate. p Provisional h Deliveries of petroleum products for inland consumption.

Raphael Soyer's 'Dancing Lesson' (1926) from the book reviewed below

Into the melting pot

BY C. P. SNOW

The Immigrant Jews of New York: 1881 to the Present by Irving Howe with the assistance of Kenneth Libo. The Littman Library of Jewish Civilisation. Routledge and Kegan Paul. £8.00, 714 pages

Between 1880 and the First World War well over 1m. Jewish immigrants fled from the Tsarist pogroms in Eastern Europe and settled in abject poverty in New York. Within two generations their descendants became one of the most successful and valuable elements in American society. This book is a masterly study of the process: intellectually detached, emotionally involved—Mr. Irving Howe, who has done notable work in literary and political criticism, is himself a fine representative of those descendants.

The book will not need recommending to anyone with Jewish connections. More significant, though, it ought to be compulsory reading for anyone wishing to understand modern America. Further, it ought to teach some important lessons to us Gentiles who would have collapsed under the hardships and more than hardships of the first wave of immigration. And any reader with the slightest sensitivity will detect the reluctant irony in Mr. Howe's account: for this is a story of a triumph which contained, right from the beginning, the seeds of a defeat.

These immigrants came mostly from the Russian pale and Poland, were Yiddish speaking, and carried their own Yiddish culture with them. To start with, they worked as pedlars and in the sweat shops of the garment trade. They began Yiddish newspapers. A Yiddish theatre sprang up. Some of the major Yiddish writers from Europe, such as Sholom Aleichem and Peretz, joined them. They stinted themselves to the subsistence level in order to educate their children. The writers and artists scraped a harsh living. For 30 years the Jewish workers were leaders of the left wing in America—just as a high proportion of the original Bolsheviks in Russia were Jewish (history with another of its savage ironies has by force driven many of the successors to the right).

This gigantic social effort — accompanied by an extraordinary amount of argument, quarrel, noise, faction fighting, for the qualities which brought so many through didn't make them specially harmonious — achieved a successful invasion of most sectors of American life. Films were dominated by second generation immigrants. So were nearly all forms of entertainment. The impact in literature has been at least as great as that of the American south. And so on almost everywhere, except apparently in Wall Street.

English agricultural labourers were flooding into our industrial towns all through the 19th century. If they had shown the energy of the destitute Yiddish immigrants, we should have done better. In Forward, the largest Yiddish paper, a leader headline ran "Send Your Children to College if You Can. But Don't Let Them Become Disloyal to Their Parents." This in the early 1900s, when the Yiddish proletariat was no better off than the English working class. Can anyone imagine the first part of that exhortation here?

The price of those conquests was predictable. In going outwards into America the Yiddish culture couldn't help but destroy itself. The language is almost lost. The art is half forgotten. The Jewish identity is being clung to, but many of its plinths have been sawn away. Mr. Howe views the chances with the inextinguishable hope that has always been necessary for Jewish survival, but also with a tinge of resigned sadness. If I were in his place, I should feel exactly the same.

There is a singular omission in this fine book. Howe tells, entirely fairly, for he is an accomplished critic in several fields about the American-Jewish creative successes. He doesn't so much as mention the greatest. The "Jewish explosion" as it has been called, began about a 100 years ago. By world standards, it has had its most dazzling effect in science, and this most of all in America. Mr. Howe might run his eye down the names of American Nobel prize winners. At least 30 per cent., probably many more, are Jewish. A high proportion came from precisely the provenance that he is writing about. He has missed so many spectacular stories. One example — I. I. Rabi was an immigrant from Rumania just before 1900, at the age of two. He was brought up in the strictest Hasidic environment. He discovered the charms of science at 13, discarded Hasidism, became a world citizen and one of the best physicists alive. He won a Nobel prize in his early 40s When he is around the rest of us sound like peasants.

What is a Parliament?

BY KENNETH BRADSHAW

Parliaments of the World: A Reference Compendium prepared by Valentine Herman and Francoise Mendel. Macmillan, £30. 985 pages

The pricing of works of reference at £25 or more is becoming regrettably frequent. Collectors of parliamentary reference books who have lately paid out £25 for the latest edition of Erskine May will be seeking assurance that this new compendium, offered at £5 more, is good value for money.

Parliaments of the World is a survey of 56 Parliaments. They are mostly member-Parliaments of the Inter-Parliamentary Union (the sponsor of this work) which may be described broadly as an organisation akin to the UN, but composed of back-bench MPs rather than of Foreign Ministers. The criteria laid down for the inclusion of a Parliament in this book—as for membership of the Union itself—are catholic: the Parliaments studied extend from the People's assemblies of Eastern Europe at one end of the scale to the Spanish Cortes (under Franco's regime) at the other. Indeed, the Union's aim was to include every Parliament in the world. In the event only Fiji, Malta, South Africa, the two Vietnams and Zambia, among non-members of the Union, contributed to the study. But the 56 countries who did take part are drawn from every continent and of course include those of Western Europe and North America whose Parliaments largely furnished the Union's membership for the first 60 of its 90 or so years of existence.

The variety of institutions and systems in the world that to-day pass under the compendious description "Parliaments" was first studied by the Union in 1961, perhaps by way of illustrating its own variety of membership. In 1966 the study was brought up to date and entirely re-written by M. Michel Ameller, an officer of the French National Assembly. The compilers of the present work have built on this ample foundation.

M. Ameller's comparative observations on each branch of parliamentary activity have stood the test of time, and the compilers have sensibly incorporated — as the introduction acknowledges — much of his material into their own successive chapters. The novel feature of the present work is that the text of each of the 70 chapters is both amplified and summed up by a table setting out concisely yet in reasonable detail the relevant information about each of the Parliaments under review. Supplementary tables are also included in the text wherever convenient and useful.

These tables add greatly to the ease and speed of reference. To take a few examples at random, they show which Parliaments of those studied have a system of proportional representation (18 do) and of what kind; how Parliaments vote and in particular which may vote electronically (9 do); which countries have Ombudsmen (7 do); and which have some kind of committee to scrutinise foreign affairs (42 have). This technique — assessment plus tabulation — is applied to all aspects of the organisation, procedure and activities of the Parliaments described.

The material for the book may be regarded as authoritative, since it was obtained directly from the staffs of those Parliaments. The 56 Parliaments are described as they existed on September 1, 1974. Two years have thus elapsed between description and publication, which, the introduction not unreasonably claims, is the shortest possible time, given the range of information that the book contains. In practice, only for two or three of the Parliaments studied is the information given totally obsolete.

There may be room for two views on the practical value, as distinct from the academic interest, of comparative parliamentary studies. But for all those who need or wish to concern themselves with workings of other Parliaments, this book is an indispensable work of reference.

Dream pioneer

Jules Verne by Jean Jules-Verne. Macdonald and Jane's, £6.50. 245 pages

In his novel, *From Earth to the Moon*, Verne envisaged a spacecraft the same weight and height as was to be used 100 years later in the Apollo 9 moonshot, "launching" it from the same place—Florida. The U.S. astronaut Frank Borman actually landed in the Pacific about two miles from the point Verne chose for his hero's splashdown.

Despite these leaps into the modern age, Verne remains firmly rooted in his own time. He emerges from this biography as a man with the temperament and mentality of a 19th-century ironmaster—an Isambard Kingdom Brunel of novelists.

The present "life" is by Verne's grandson, a former Chief Justice of Toulon. From Verne's early days as a dramatist—two of his plays alternated at the Chatelet for 50 years without a break—to his last deep pessimism, it makes a fascinating read.

JOHN DUNSTAN

Birds, bees and butterflies

BY ROBIN LANE FOX

The drought ruined the grass; the beetles killed the elms; the farmers felled them, and used the felling equipment on any hedges which they had failed to burn with their stubble. Why cannot farmers be curbed by some savage law before it is too late? 1976 was an awful year for the landscape, so you might as well buy a country book and enjoy a nostalgic text and pictures. Avoid **Countryman's Britain** (David and Charles, £5.25, 195 pages) and remember that Phil Drabble's **Country Seasons** (Michael Joseph, £4.25, 318 pages) is only for those who like the oddest moralising ("I know several bachelors of science and doctors of philosophy who have been out of work for months") among memories of the author's ferrets and tales of his tape-recorded weasels.

Bird books have been flocking out lately. **The Birdlife of Britain** (Mitchell Beazley, £7.95, 260 pages) has quite good pictures and very good brief notes, family by family. Its "dramatic new way of identification," by a bird's habit and illustrated movement, is neither clear nor uniformly pursued in the text.

At a less dramatic pitch, I have found much to learn and enjoy in **The World Atlas of Birds** (Mitchell Beazley, softcover, £3.95, 272 pages). Experts have arranged a group of illustrations round each region of the world, giving a clear picture with which to identify anything from an Arctic Loon to a lovely Victoria Crowned Pigeon. Brief comments single out the habits, foods and homes. Maps show distribution; a diagram discusses the evolution of flight; Sir Peter Scott, the consulting editor, soars away in praise of his volume.

Migration seems to be a miracle. The Golden Plover does a 15,000-mile round trip in America; the Pochard hops merely from South Germany to a man-made lake in Bavaria; the Arctic Tern uses the winds for a journey from Arctic to Antarctic, where it actually chooses to winter. Nobody yet knows how birds steer, but it it is assumed that the urge to migrate is linked to the impact of former Ice Ages. Every page of this book has an interesting fact. It reminds me that birds are more remarkable than plants. One cannot ask for more.

Bees, however, are even more remarkable than birds. Daphne More is a bee-keeper, and although her **Bee Book** (David and Charles, £4.50, 142 pages) is no classic, it covers this curious territory quite thoroughly. Some of her details are more traditional than true, but the queen's life history makes up for the historical oddities. When the first virgin princess emerges, she squeaks shrilly to other encased princesses, locates them in their cells and promptly kills them off. Sole queen, she flies out, chased by mating drones. Those who catch her copulate and die, leaving their sexual parts in her body. Nobody, I think, has yet seen a queen bee relieve herself. Nor has anyone really explained the ancient birth of bees from a carcase, probably because it was a learned fib. But we do know that bees cannot hear, on a normal definition. The beating of gongs to attract a swarm was unscientific.

Butterflies, this year, have to look to David Measure's **Bright Wings of Summer** (Cassell, £5.00, 158 pages). The author's field sketches are reproduced, though they confuse me and do not tell much of importance. There is a text of personal reminiscences and some useful observations on mating, egg-laying and territory, most fiercely guarded by the smaller sorts. The list of garden plants which attract these beauties is inadequate. The result is personal and enthusiastic. If you did not notice the butterflies in this hot year, you probably never will.

As for plants, we can look to the third volume of the new W. J. Bean, **Trees and Shrubs Hardy in the British Isles** (John Murray, £18.25). It remains a classic, in a class by itself. Among the glossies, the Italian **Fruits of the Earth** (Cassell, £8.50, 302 pages) contrives to make modern photo-reproduced vegetables look as handsome as possible. The coloured pictures are superb, given their necessary texture, and the text is sober and full of dead-pan detail. The artists deserve a cheer.

On a lesser scale, D. M. Turner Ettlinger's **British and Irish Orchids** (Macmillan, £4.95, 140 pages) eschews colour plates, but gives you a good chance of identifying any of the many varieties, accurately described, mercifully. They are not too precisely located in the field. Roy Green's **Asiatic Primulas** (Alpine Garden Society, £3.30, 163 pages) is a model guide for botanists and gardeners: publishers could learn much from its standards of accuracy, printing, price and general expertise.

Polunin and Everard's **Trees and Bushes of Europe** (Oxford, £5.25, 206 pages) keeps up to their usual mark. The photos are mostly of leaves in close-up, so the habit of a tree may still puzzle you. But the descriptions should bring Europe's taller wild flora within your grasp.

If you stay at home, put up the barricades with John Seymour's pleasant **Complete Book of Self-Sufficiency** (Faber, £5.50, 256 pages). It is a comprehensive, but seductive, dream: two pages on horse-tending, referring to one exotic complaint and none of the pitfalls; two pages on thatching, stone-masonry and other crafts of a lifetime. He thinks you could have a run for your money on an acre, and his gardening makes sense. But it founders on the cow. You need her, but she needs foods from outside. The "alternative strategy" is not a starter, but what man does not like to think he is an island?

Sailors beware

BY ALEC BEILBY

With only the London International Boat Show in the New Year to brighten the yachtsman's winter gloom it is good to see some attractive new books appearing specifically for those who enjoy the sea. Leader in the field is **The Oxford Companion to Ships and the Sea**, edited by Peter Kemp (Oxford University Press, £12, 971 pages). This is a totally absorbing work covering almost every possible subject to do with maritime matters beginning with the definition of the humble Able Seaman and finishing with a Zulu, and anyone who thinks that a Zulu is a black gentleman from the southern regions of Africa surely needs this book. Many of the subjects covered could provide interesting reading for that final ten minutes before the lights go out at night while the section on Admiral Nelson, for example, runs to four full pages.

Something of a collision, or perhaps a confusion, has occurred with the publication, at about the same time, of **Tall Ships**, by Philip McCutchan (Weidenfeld and Nicholson, £4.95, 160 pages) and **Tall Ships**, by Maldwin Drummond and Mike Willoughby (Angus and Robertson, £13.50 until December 31 and then £15, 160 pages). The difference, in fact, is reflected in the prices. The former book is a general history of the old square-rigged ships from the early 19th century to the present day; the latter, while touching on history, is a study of the sail training ships of to-day. Philip McCutchan has provided good text which, in many instances, has been amply supported by Lord Ambrose Greenway, one of the country's most imaginative photographers of ships and the sea.

Maldwin Drummond, as chairman of the Sail Training Association, covers his subject from an obvious position of strength while Mike Willoughby, a master under sail and former captain of one of the two British sail training schooners, has provided superb technical drawings, in colour, of many of the vessels described. Captain Willoughby's work on its own more than justifies what might seem a high price for the book which is a credit to its writer and illustrator.

Those with a yen for the deep sea, observed from the comfort of the armchair, will certainly enjoy **Tai Ki**, by Kuno Knobl (W. H. Allen, 276 pages, £5.95). This book ranks alongside Kon Tiki and is the tale of a voyage made aboard a specially built Chinese junk by a cosmopolitan crew of eight men who wanted to prove that the early settlers in western America came from the orient. The voyage ended when the ship sank having crossed two-thirds of the northern Pacific and survived storms that often seemed to be insurmountable.

Boring molluscs ate their way through the teak hull, rats were found to be living in the spare bamboo spars and the deprivations of the voyage led to conflicts between the crew that have not been quietly forgotten. Unfortunately, the translation of the original German by Rita and Robert Kimber lacks technical expertise. This is a pity, but in spite of the problem it is an incredible story of courage, stamina and survival.

The Channel Islands have held a certain navigational mystique for yachtsmen for many years. Terrifying tide races, equally alarming rises and falls of tide and rocks that have claimed many a ship are all part of this, but Malcolm Robson has done much to take some of the sting out of the place. He went to Sark in 1947 to establish the electricity system and never left. To-day he is the only non-Serkais with a Sark pilot's licence, is a quarantine member of the Chief Pleas of Sark and holds the title of "Sieur."

Having skippered an inter-island vessel for fifteen years he has put all his knowledge down in **Channel Islands Pilot** (Nautical Publishing Company, £7.50, 173 pages). This is a delightful book that, apart from unfolding the mysteries of pilotage in the area, is full of wry comment and anecdotes about places discussed that will certainly appeal to the yachtsman's sense of humour. Though it is primarily a technical work, having read it one feels that one has successfully completed a Channel Island cruise in delightful company.

Crimes in short

BY WILLIAM WEAVER

A Distant Banner by Roy Lewis. Collins, £2.95. 195 pages

Roy Lewis in Wales again. The setting is a work site, with an idealistic, if muddled graduate as the bumbling, sympathetic protagonist. His mates on the tiresome job are a strange, but thoroughly credible lot, and the author draws each of them with admirable economy. This is more a story of character than a thriller or a mystery. There is, indeed, a murder, and in the end his murderer is revealed; but mostly this is a novel of people and places, written with affection and taste.

A Short Time to Live by Gwen Moffat. Gollancz, £3.50. 204 pages

Gwen Moffat, when not inventing successful adventures for her Miss Pink, is a climber, and all her books involve climbing. This one is no exception, and once again the author makes her favourite sport an integral part of the story. Technical details abound, but never intrude. And the Lake District setting is graphically, appealingly described. Miss Pink is surrounded by a varied, well-assorted cast of secondary characters.

The Heat of the Sun by Maisie Birmingham. Collins, £2.95. 191 pages

Kate Weatherley goes to Ghana. The country is lovingly evoked, and Mrs. Birmingham makes you want to get on the next charter flight, even if the weather is hot and the traffic erratic. The murder actually creates little puzzlement (not hard to guess who did it), but that is not the point. Characters and environment are more important than the mechanics of the story. The author is particularly good at establishing social climates, the subtle degrees of uneasiness, of relaxation, of hostility.

By Flower and Dean Street by Patrice Chaplin. Duckworth, £3.25. 159 pages

Not a novel really, but a slim volume of two vaguely interlocking stories. The plots are blurred almost to the point of non-existence, and the writing is not exactly elegant, but Mrs. Chaplin (yes, she is Sir Charles's daughter-in-law) has an ear and an eye. Her really dreadful characters talk and behave, eat and drink, just as their real-life counterparts must. So the book is, finally, a kind of social document.

A Gallowsbird's Song by Torben Nielsen. Collins, £2.95. 189 pages

Sub-Maigret. A former policeman, Torben Nielsen believes that most crime writers make things too pat, too easy for themselves or their fictional detectives. So he writes a more "real" story by showing his Superintendent Ancher following false leads, making mistakes, etc. All well and good, but the circumstances of the central murder are unreal—and incredible—far beyond anything invented by those clever English ladies Nielsen criticises.

Someone is Killing the Great Chefs of Europe by Nan and Ivan Lyons. Jonathan Cape, £3.50. 243 pages

Whoever Nan and Ivan Lyons are (is?), they know a lot about food. And if you have plenty of time and money, you might want to try some of the grand recipes that serve as diversions in this book. For the rest, the book is perplexing. Mixing farce and gore requires the delicate hand of a master chef. Here, at times, the authors exceed, in one direction or the other. The banter is often amusing (but just as often the puns are painful); the gore is a bit too lovingly described. Still, the book is often enjoyable. If this really is the Lyons' first novel, then they are obviously still developing their skill. The *béchamel* is lumpy. Perhaps next time they will heat the milk first.

Dig a Little Deeper by Ursula Curtiss. Macmillan, £2.95. 184 pages

All very nicely low-key. A house in Connecticut, townspeople, a couple who seem only vaguely unpleasant. Then there is a murder, and its solution leads to further ghastly discoveries. The dénoulment comes rather all in a rush, but Ursula Curtiss knows how to build suspense, and every detail — the troublesome child, the overcooked tomatoes—is a small, pointful tessera in the mosaic.

WALL STREET + OVERSEAS MARKETS + FOREIGN EXCHANGES

Profit taking absorbed: up 3.16

BY OUR WALL STREET CORRESPONDENT

NEW YORK, Dec. 15.

PROFIT-TAKING was absorbed on Wall Stree to-day, helped by hopes that only a modest oil price increase will be the end result of the Opec meeting, now underway in Qatar.

The Dow Jones Industrial Average rose another 3.16 to 983.79 and the NYSE All Common Index gained a further 4 cents to $56.63, while rises led falls by 896-to-629. Trading volume further expanded 3.17m. shares to 28.3m.

Saudi Arabia appears to be holding fast to its intention of pressing for a continuation of the current price freeze, while other Cartel Members seem confident that some sort of price rise will be effected.

Analysts say the Stock Market's heavy volume represents, in part, the workings of year-end tax strategies and the positioning of those investors speculating on the outcome of the OPEC meeting and its ultimate effect, if any, on stocks.

Investors were also encouraged by a Commerce Department report that it revised its Leading Economic Indicators Index for October to show a rise in October from September. It previously reported the Index was unchanged in October.

Steels, Coppers, Chemicals, Airlines and Rails improved, but Computers, Retailers and Drugs moved lower.

American Telephone were active but unchanged at $64¼ on higher net earnings, while it planned $11.4bn. in capital outlays next year.

General Electric lost $⅜ to $52⅞ but Utah International added $¼ at $68½ on merger plans.

Olin shed $½ to $38½—it raised the price of chlorine $10 a ton.

Anaconda picked up $¼ to $30¼, Phelps Dodge $1 to $36, Copper Range $¼ to $19¼ and Amax $¼ to $56¼. Anaconda revised some prices for copper products.

Texas Oil and Gas eased $⅜ to $27, although it forecast higher fiscal first quarter and full year net earnings.

THE AMERICAN SE Market Value Index rose 0.49 to 104.22, while advances led declines by 367 to 296. Volume rose to 3.12m. (2.90m.) shares.

Active Syntex eased $¼ to $21⅛—the Food and Drug Administration said it is unlikely to decide whether to grant Syntex's request for a hearing on naproxen until early 1977.

WEDNESDAY'S ACTIVE STOCKS

	Stock traded	Closing price	Change on day
Occidental Pet.	562,400	22⅜	−⅛
Central & S.W.	457,300	16⅞	−⅛
Amer. Tel. Tel.	341,200	64¼	—
Dow Chemical	270,000	40⅜	−⅛
General Motors	269,100	75⅜	—
Gen. Tel. Elect.	224,700	31⅜	—
Southern Co.	215,200	17⅜	−⅛
Texaco	206,900	27⅞	—
Polaroid	159,700	36⅜	—
Gen. Electric	155,500	53	−⅜

OTHER MARKETS

Canada irregular

Canadian Stock Markets were irregular in moderate trading yesterday.

The Industrial Share Index rose 0.63 to 167.56, Western Oils gained 0.92 to 215.89 and Utilities put on 0.86 to 138.74, but Golds fell 4.19 to 297.46. Base Metals shed 0.34 to 75.51, Papers lost 0.70 to 103.75 and Banks eased 0.01 to 222.94.

Texaco Canada gained $1 to $22, BP Canada added $⅜ to $7¼, Imperial Oil rose $⅛ to $20 in very heavy trading. Gulf Oil Canada put on $¼ to $22⅛.

PARIS—French shares finished mixed to slightly better in a calm session, following a relatively optimistic report on the industrial situation by the Bank of France.

Chemicals, Textiles, Metals and Publishing issues ended lower, while Banks, Rubbers, Foodstuffs, Hotels and Oils did well.

The Foreign sector was mixed, with Americans and Oils higher, while Germans, Golds and Coppers were irregular.

BRUSSELS—Mixed trend.

Non-Ferrous Metals declined slightly. Electrics and Holdings were virtually unchanged, while Chemicals and Oils improved slightly.

Zaire shares were undecided.

Dutch and French issues were little changed, while West German stocks were irregular. U.S. stocks were mostly unchanged.

AMSTERDAM—Narrowly mixed in slow trading.

Banks were steady to fractionally lower. Insurances gained slightly, while Transportations were narrowly mixed. Dutch Industrials were irregular.

Short-Term Bonds were steady but Long-Term Bonds were up to Fls.0.20 lower.

GERMANY—Most shares firmed in very quiet trading.

Stores were mixed, with Karstadt rising DM2.50 and Neckermann DM3, but Kaufhof lost DM2.

Deutsche Babcock rose DM0.70 following its unchanged dividend for the year to September 30.

Electricals were relatively strong, Banks were firm, while Motors and Chemicals posted small gains. Steels put on up to DM2.

Public Bonds lost up to DM0.30 and the Regulating Authorities bought DM21.7m. nominal of stock. Foreign Mark Loans were little changed.

SWITZERLAND—Steady in a selectively active turnover.

Banks were narrowly mixed. Parisbas (Suisse), officially quoted the first time, traded at Frs.303.

Financials generally firmed slightly and Leading Industrials posted small gains. Nestle rose Frs.60 on good support following its statement on earnings expectations.

Dollar stocks firmed in livelier trading. Dutch Internationals were generally steady, while Germans rose in light trading.

VIENNA—Market continued lower.

MILAN—Mixed, but with an easier bias due to profit-taking.

Anic eased Lire 1 to 401, despite its forecast of beneficial effects from capital raising now under way.

Insurances, Financials and Banks were all lower.

Bonds were quietly steadier.

COPENHAGEN—Generally higher in fair dealings. Shippings were mixed.

OSLO—Bankings, Shippings and Insurances were quiet, while Industrials were mixed.

JOHANNESBURG—Gold shares were very steady on European bullion indications, although trading was quiet ahead of to-day's local holiday.

Financial Minings were firm, while Coppers were mixed.

HONG KONG—Higher in moderate trading.

Hong Kong Bank moved up 20 cents to $HK19.20, Hong Kong Land 10 cents to 7.35, New World 3 cents to 1.55, Swire Pacific "A" 10 cents to 9.60, Hong Kong Electric 10 cents to 4.875, China Light 10 cents to 19.30 and Hong Kong and Kowloon Wharf 30 cents to 15.90.

But Wheelock "A" were down 2½ cents to 2.65—merger talks between Wheelock Marden and Hutchison, unchanged at 3.35, appeared to have reached a deadlock.

TOKYO—Market recovered on Saudi Arabian Oil Minister's statement that his country wants a six-month oil price freeze. Volume 330m. (190m.) shares.

Strong selective buying favoured Petroleums, Electricals, Motors and other Blue Chips.

Honda Motor added Y42 at 726 on plans to boost domestic car sales by 30 per cent. by the end of next year.

AUSTRALIA—Generally firm in quiet trading, with leading Mines and selected Industrials again in demand on end-year buying by Institutions.

Peko-Wallsend rose 15 cents to $A4.30, Utah 5 cents to 4.80 and Renison 10 cents to 7.40, but Central Norseman lost 8 cents to 2.40.

Among Industrials, Bradmill were up a cent at 70 cents, after 72 cents, following Hothlyns statement it has been buying Bradmill stock.

BHP advanced 38 cents to 7.76 and Philip Morris 20 cents to 7.70, but CSR lost 2 cents to 3.58, despite denying rumours of an impending share issue.

Indices

NEW YORK—DOW JONES

	Dec. 15	Dec. 14	Dec. 13	Dec. 10	Dec. 9	Dec. 8	1976 High	1976 Low	Since compilation High	Since compilation Low
Industrial	983.79	980.63	974.24	973.15	970.74	963.28	1014.79 (21/9)	858.71 (2/1)	1051.70 (11/1/73)	41.22 (2/7/32)
HomeB'nds*	91.81	91.82	91.81	91.76	91.82	91.59	91.82 (9/12)	85.58 (12/1)	—	—
Transport	234.48	232.85	230.30	230.88	231.10	230.79	234.45 (15/12)	175.6 (2/1)	279.88 (7/2/69)	13.23 (8/7/32)
Utilities	105.66	105.54	105.44	105.70	105.67	105.16	105.86 (15/12)	84.8 (26/5)	163.32 (20/4/69)	10.58 (8/4/32)
Trading vol. 000's †	28,300	25,150	24,830	25,960	31,800	24,560	—	—	—	—

* Basis of index changed from July 1.

	Dec. 3	Nov. 26	Nov. 22	Year ago (approx.)
Ind. div. yield %	4.30	4.26	4.24	4.57

STANDARDS AND POORS

	Dec. 15	Dec. 14	Dec. 13	Dec. 10	Dec. 9	Dec. 8	1976 High	1976 Low	Since compilation High	Since compilation Low
* Industrials	116.75	116.72	116.22	116.31	116.13	115.65	120.82 (21/9)	101.64 (2/1)	134.64 (11/1/73)	3.52 (30/6/32)
†Composite	105.14	105.07	104.63	104.70	104.51	104.08	107.83 (21/9)	90.90 (2/1)	120.24 (11/1/73)	4.40 (1/6/32)

	Dec. 8	Dec. 1	Nov. 24	Year ago (approx.)
Ind. div. yield %	3.73	3.78	3.77	3.81
Ind. P/E Ratio	11.27	11.13	11.54	12.16
Long Govt. Bond yield	5.24	5.28	5.33	6.12

N.Y.S.E. ALL COMMON

Dec. 15	Dec. 14	Dec. 13	Dec. 10	1976 High	1976 Low
56.63	56.59	56.35	56.33	57.51 (1/9/76)	47.05 (2/1/76)

Rises and Falls	Dec. 15
Issues Traded	1,971
Up	896
Down	629
Same	446
New Highs	150
New Lows	4

	Dec. 15	Dec. 14	Dec. 13	Dec. 10	1976 High	1976 Low
MONTREAL Industrial	168.12	166.31	166.16	165.31	207.65 (19/5)	161.34 [illegible]
MONTREAL Combined	168.49	167.06	167.11	165.92	199.78 (20/5)	165.16 [illegible]
TORONTO Industrial	167.56	166.93	166.80	167.81	197.45 (20/5)	162.72 [illegible]
JOHANNESBURG Gold	174.7	176.4	176.4	178.1	226.7 (12/6)	116.5 [illegible]
JOHANNESBURG Industrials	180.2	178.5	178.7	173.1	15.0 (21/5)	175.6 [illegible]

	Dec. 15	Previous	1976 High	1976 Low
Australia (a)	457.56	453.56	522.66 (13/2)	404.59 (26/11)
Belgium (b)	95.37	94.85	115.12 (7/2)	87.15 (25/10)
Denmark (d)	99.76	99.31	117.73 (14/8)	96.48 (1/12)
France (e)	54.0	55.5	74.5 (6/5)	51.5 (1/12)
Germany (f)	717.9	716.8	821.7 (17/5)	687.1 (29/10)
Holland (g)	80.6	80.7	103.2 (2/2)	77.9 (12/10)
Hongkong (h)	420.45	416.71	465.55 (17/5)	354.05 (2/1)
Italy (k)	71.86	72.12	91.57 (5/5)	64.56 (10/11)
Japan (m)	366.88	363.46	365.98 (15/12)	326.22 (2/1)
Singapore (n)	249.40	247.61	280.16 (5/2)	236.35 (2/1)
Spain (p)	—	74.62	100.75 [illegible]	[illegible]
Sweden (q)	327.47	324.62	476.92 (10/5)	[illegible]
Switz'l'd (r)	274.8	273.8	298.5 [illegible]	[illegible]

Indices and base dates (all base values 100 except NYSE All Common—50, and Standards and Poors 10). (a) Sydney All Ord. (b) Belgian SE 31/12/63 (d) Copenhagen SE 1/1/73 (e) Paris Bourse 1961 (f) Commerzbank December, 1953. (g) Amsterdam Industrial 1970 (h) Hang Seng Bank 31/7/64. (k) Milan 2/1/73. (m) Tokyo New SE 4/1/68. (n) Straits Times 1966 (p) Madrid SE 31/12/74. (q) Stockholm Industrials 1/1/58. (r) Swiss Bank Corp 31/12/58. (u) Unavailable. ‡ Excluding bonds. * 400 Industrials. † 400 Inds., 40 Utilities, 40 Finance and 20 Transport. (c) Closed.

OVERSEAS SHARE INFORMATION

Investment premium based on $2.60 per £1—116¼% (115¼%).

Pound falls

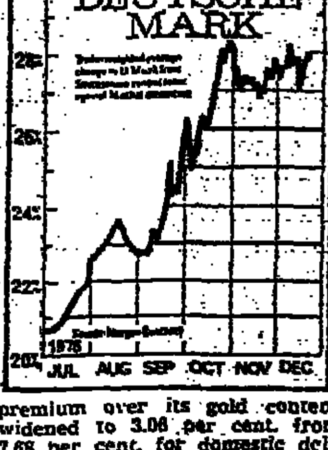
Sterling fell sharply in late dealings yesterday afternoon as the foreign exchange market reacted to the Chancellor of the Exchequer's statement in the House of Commons. The market appeared to be expecting a solution of the U.K.'s economic problems but was generally disappointed, giving rise to suggestions that the budget measures were too little to do any good. This was an initial reaction however and although selling developed out of New York, business was very thin and the full implications of the measures may not have been completely digested. After the London market had closed the pound continued to lose ground in New York.

The pound began at $1.6810, and remained firm until mid-afternoon. It touched a best level of $1.6875-1.6885 but fell to a worse point of $1.6620-1.6630 shortly before the close. Some support from the Bank of England may have led to the slight recovery to a finishing level of $1.6670-$1.6690, a fall of 80 points on the day.

Sterling's trade-weighted average depreciation since the Washington Currency Agreement of December 1971, narrowed to 44.4 per cent. from 44.6 per cent., after standing at 44.4 per cent. at noon and 44.3 per cent. in early dealings. The Bank of England's calculation of the pound's depreciation was taken before the close however, when the rate against the dollar was still as high as $1.6815.

The dollar's trade-weighted depreciation, as calculated by Morgan Guaranty of New York on noon rates, widened to 0.73 per cent. from 0.68 per cent.

Gold fell $1 to $134¼-135¼ in very quiet trading. The krugerrand's premium over its gold content widened to 3.06 per cent. from 2.68 per cent. for domestic delivery, and to 3.43 per cent. from 2.68 per cent. in the international market.



SPECIAL DRAWING RIGHTS RATES

One SDR is equal to	Dec. 14	Dec. 13
Sterling	0.684802	0.687427
U.S. dollar	1.15437	1.15419
Belgian franc	42.2615	42.2434
Deutschemark	2.76772	2.76344
French franc	5.76117	5.75970
Italian lira	998.992	998.778
Japanese yen	340.251	339.863
Dutch guilder	2.88304	2.88317
Swedish krone	4.82180	4.81686
Swiss franc	2.85586	2.85077

Values are for currencies against the SDR as calculated by the International Monetary Fund in Washington.

EXCHANGE CROSS-RATES

Dec. 15	Frankfurt	New York	Paris	Brussels	London	A'sterdam	Zurich
Fr'nkfu't	—	2.3960-64	48.0-64	6.54-55	4.025-036	96.95-98.01	97.68-63
N. York	41.81-82	—	20.04-08	2.7185-7425	1.6620-6640	40.10-12	40.76-78
Paris	208.10-20	4.9932-9932	—	15.341-666	8.38-4045	199.8-20	203.125-525
Brussels	15.24-28	36.24-58	7.31-34	—	61.53-66	14.64-67	14.68-71
London	4.02½-03½	1.667-669	8.31¼-32¼	60.80-61.0	—	4.18¼-18¼	4.08¼-09¼
Am'rd'm	104.185-255	2.4947-72	50.05-08	6.826-831	4.194-201	—	101.655-705
Zurich	102.44-54	2.4556-65	49.15-21	6.71¼-7.00	4.135-142	98.31-39	—

U.S.$ in Montreal. U.S.$ = 101.66-70 Canadian cents.
Canadian $ in New York. C$ = 98.32-34 U.S. cents. U.S.$ in Milan 865.40-865.70.
Sterling in Milan 1455.50-1456.75.

EURO-CURRENCY INTEREST RATES*

Dec. 15 1976	Sterling	U.S. Dollar	Canadian Dollar	Dutch Guilder	W. German mark	Swiss franc
†Short term	15½-16	4½-4¾	8⅛-9⅛	6¾-7¼	4⅝-4⅞	⅛-⅜
7 days notice	15-15⅜	4⅝-4⅞	8⅝-8⅞	6¾-7¼	4¾-5	⅛-⅝
Month	15½-16	4⅛-4¾	8⅜-8⅝	7½-7⅝	5-5⅛	¾-1⅛
Three months	15½-16	4⅞-5⅛	8⅛-8¾	6¾-7¼	4½-4¾	1⅝-2⅛
Six months	14¾-15¼	5⅛-5⅜	8⅝-8⅞	6½-7	4½-4¾	2⅝-2⅞
One year	14⅝-14⅞	5⅛-5⅜	8⅝-8⅞	6½-7	4⅞-5	2⅝-2¾

Euro-French deposit rate: two-day 10¼-10½ per cent.; seven-day 10½-10¾ per cent.; one-month 11¼-11½ per cent.; three-month 12-12¼ per cent.; six-month 12¼-12½ per cent.; one year 12-12¼ per cent.

Longer-term Eurodollar deposits: two years 5¾-6 per cent.; three years 6¾-7 per cent.; four years 7¼-7½ per cent.; five years 7¼-7½ per cent.

The following rates were quoted for London dollar certificates of deposit: one-month 4¼-4⅜ per cent.; three-month 4¼-4⅜ per cent.; six-month 4[11]/[16]-5[1]/[16] per cent.; one year 5[3]/[16]-5[5]/[16] per cent.

* Rates are nominal closing rates.

† Short-term rates are call for sterling, U.S. dollars and Canadian dollars; two days' notice for guilders and Swiss francs. ‡ Following 17.5 per cent. devaluation. "dis" Discount.

FARMING AND RAW MATERIALS

EEC wheat price plan attacked

By Our Commodities Staff

...E NEW system for supporting ...e price of so called bread...aking wheat to be introduced ...the EEC for the 1976-77 season ...ll push up the prices of both ...ead and feed grains and the ...st of living, Mr. C. J. Tilley, ...esident of the Grain and Feed ...ade Association, claimed ...sterday.

Mr. Tilley said that the Com...ssion had decided bread...aking varieties of wheat ...quired special measures of ...pport, despite the fact that ...y were produced far in excess ...the Community's capacity to ...the bread that could be made ...m them.

The result would be to put up ...e price of North American ...eats used in the manufacture ...British bread when for the ...t time in two years world ...eat prices had fallen steadily.

EEC proposals for levies on ...ported marine and vegetable ...s were also attacked by Mr. ...ley.

Low demand hits timber production

By Our Commodities Staff

...E LOW level of demand for ...ost all classes of wood was ...ain factor in the 12-months ...he end of March, the Forestry ...mmission said in its annual ...ort yesterday.

...result of the generally low ...rket conditions was that in ...year as a whole, forest pro...tion was 50,000 cubic metres ...,000 tonnes) or about 3 per ...t. lower than in each of the ...two years.

...t was also 300,000 cubic ...tres or some 16 per cent. ...ow the level required to meet ...commission's longer term ...ectives of expanding output.

...he net income from the ...m. cubic metres of timber ...oved was just over £9m.

Japan's ferro nickel imports

TOKYO, Dec. 15.

...PANESE SMELTERS hope to ...clude a contract with In...esia's Anekatambang by the ...of this year on Japan's 1977 ...ports of ferro nickel from the ...nala refinery in Sulawesi ...and, reports Reuter.

...he talks, which started last ...nth, concentrated on the ...ount of ferro nickel Japan is ...buy in 1977, but they faced ...ugh going as the Indonesian ...er is much more than Japan ...nts, they said.

Drop in U.K. beef output 'considerable' next year

BY PETER BULLEN

THERE WILL be considerably less beef available in Britain next year, the Meat and Livestock Commission said in its quarterly market survey to-day.

Compared with this year the amount of beef will be down, the quantity of lamb will be the same but there will be more pork available.

However, the MLC does hold out some hope for the future, pointing to signs of expansion in the cattle and sheep breeding numbers which should lead to increased production but not before 1979 because of the lengthy breeding cycle involved.

With fewer home-bred cattle on British farms, output of beef in the past quarter has been down 16 per cent. on last year's level and for the whole of 1976 is forecast to be 1,046,000 tons—150,000 tons less than the record amount produced in 1975.

Strangely in the year which has seen the worst drought for centuries, the average weights of beef animals have risen about 2 per cent., which will provide about 20,000 tons more beef than would have been expected from the size of the national herd.

Next year home beef production is expected to drop another 10 per cent. to 940,000 tons: most of the drop taking place in the first half of the year. In 1978 the output figure is likely to slump even further, the MLC warns.

By this time next year, however, the MLC expects there will be 80,000 more breeding cows in the U.K. But the results of this expansion in terms of extra beef produced will *not* become apparent until 1979 at the earliest.

Extra *beef may be imported* next year if the EEC carries out its plan to ease its import restrictions, but increased supplies from abroad are unlikely to offset the reduction in home produced beef.

With a drop in supplies and higher price levels coinciding with restrictions on incomes, consumer expenditure on meat is likely to decline slightly as a proportion of total food expenditure.

On supply prospects for the Common Market as a whole, MLC forecasts that the drought plus a small drop in breeding numbers will bring EEC beef intervention stocks down sharply by the end of 1977. This could lead to an EEC import requirement of 500,000 tons in 1978.

The MLC also warns about the downturn in the national pig breeding herd. Static pig prices and rising feed costs had eroded much of the confidence from the pig industry and the resulting fall in the breeding herd would mean less home-produced pork and bacon but this would not be noticeable until the last quarter of next year.

After two years of decline the U.K. sheep flock showed definite *signs* of expansion. Lambing rates next spring will probably be lower than this year's record level.

On the assumption that there is reasonable weather, a further increase in ewe lamb retentions for breeding and a similar carry-over of lambs next winter as in 1976-77, mutton and lamb production in 1977 is likely to be about the same as in 1976, and some 6 per cent. down on 1975.

BEEF CATTLE prices have shot up to new peak levels this week as a result of the usual pre-Christmas demand and the extra prices being paid for top quality animals at Christmas fatstock shows. Yesterday the average fatstock price for Great Britain reached a record £31.81 a live cwt—a rise of more than £1.25 in the past week.

Copper, zinc output warning

BY JOHN EDWARDS, COMMODITIES EDITOR

EXCESS CAPACITY in copper and zinc production will persist for at least four years, according to a ten-year forecast by Chase Econometric Associates, a subsidiary of Chase Manhattan Bank.

But the study warns there could be severe shortages of these metals in the 1980s unless producers began to expand production capacity during the "recession year" of 1978.

According to Mr. Robin Adams, senior metals economist at Chase Econometrics, the major problem for the copper and zinc industries was that they would have to begin quite heavy investment in new plant and equipment in the teeth of the next recession.

"Investing at that time will require a great deal of courage and foresight from an industry all but traumatised by what it has gone through since 1973," he added.

But if that investment was not in place for the boom expected in the 1980s, severe shortages of both metals could develop.

The problem for copper producers, the study points out, is aggravated by the enormous stocks overhang, now at three times the normal level.

There were only two ways to reduce that overhang: stockpiling by the U.S. strategic stockpile and a prolonged U.S. copper workers' strike next year.

But even if both of these things happen, the stocks problem would remain and "consequently we view the future of the world copper industry with considerable apprehension."

The aluminium industry may also face shortages in the 1980s according to Mr. Adams. He points out that little or no new investment has taken place in the past two years, enabling producers to raise prices substantially.

"The danger now is that they may interpret the coming recession as vindication of their underinvestment policies and continue them through the rest of the decade," he comments.

Overall the study indicates that significant investment will be required in the non-ferrous metals industry in the next three years, first of all in aluminium.

It warns that the seeds of a serious, Opec-style cartel threat in the 1980s could be sown.

Reuter reports from Santiago that Cerro Sales Corporation president, Sr. Jaime Claro, said he expects world copper prices to average between 66 and 67 U.S. cents per pound in 1977.

He told an annual Chilean businessmen's meeting the lack of discipline among producers, adding 200,000 tonnes to world stocks each year, and the slow recovery of the world economy are the main factors preventing an improvement in prices.

The invention of the so-called optical fibres threatened copper consumption by the communications industry, he added. These fibres, for use in telephone wires, will appear in the market in the 1980s.

Wide price swings in Cocoa

By Our Commodities Staff

LONDON COCOA futures continued to fluctuate widely yesterday with the March position going as high as £1,930 a tonne and as low as £1,865 a tonne before closing £0.5 higher on the day at £1,906.5 a tonne.

Dealers attributed the renewed uptrend in early dealings to concern over the failure of an Ivory Coast shipper to send 15,000 tonnes of previously contracted cocoa beans (worth £15m.).

But the London dealers thought to be involved (10 to 12 in number) were reported to have covered the shortfall on the futures market, and the prevailing hesitant tone of the market was reasserted wiping out the early rise.

Coffee prices opened higher following an overnight rise in New York prompted by rumours of Guatemalan contract defaults. Hedge buying in thin market conditions boosted values further and at the close March delivery coffee was £40.5 higher at £2,574 a tonne, a new record.

In San Salvador meanwhile the Salvador Coffee Company announced that minimum export prices had been raised to $222 a bag (60 kilos) for strict high-grown, $221 for high-grown and $220 for central standard. The prices were previously $217, $216 and $215 respectively.

Australian wool sales up at 1.5m. bales

SYDNEY, Dec. 15.

AUSTRALIAN WOOL sales at auction rose to 1.53m. bales in July/November from 1.44m. in the same 1975 period, the National Council of Wool Selling Brokers said here, reports Reuter.

Its latest monthly news bulletin the council said total proceeds rose to $381.46m. (£287.82m.), reflecting both the sales increase and a rise in average price to 168.59 cents a kilo greasy (133.84).

Receipts into store, including carry-over and re-sale wool, totalled 2.25m. bales.

Unsold wool in store at end-November totalled 723,000 bales (907,000), while 1,691 were shipped overseas for sale (814).

Sales in November totalled 460,000 bales (445,000) for proceeds of $119.23m. ($96.42m.) at an average price of 175.35 cents (145.82 cents) a kilo greasy.

BRAZIL

Turning the jungle into ranchland

BY SUE BRANDFORD, SAO PAULO CORRESPONDENT

FELIX IS an illiterate farm worker employed on a huge cattle ranch in the north of Mato Grosso in Brazil. At night, he sleeps in a hammock in a rough hut in the jungle, miles away from the nearest village. The hut has no walls and the roof is made from banana tree leaves.

On Sundays he goes off to spear fish, Indian-style. Yet, during the day, Felix and his work-mates are applying powerful herbicides, according to the most modern technology of jungle-clearing. As so often in the Amazon, the very new and the very old co-exist in glaring contrast.

Grass-seeds

Large areas of tropical forest on the eastern outskirts of the Amazon jungle are being cleared and sown with grass seed. Most of the ranches are owned by companies from Sao Paulo and other industrial areas of Brazil with the support of SUDAM, the Amazon Development Board.

Since 1965, the Government has handed back £150m. in income-tax discounts to 337 companies to provide them with resources for their ranches. As several of the ranch managers readily admit, corruption *is* rife. Many of the expensive expansion projects only exist on paper to justify the tax rebates.

Indeed, at most only about 100 of the ranches are really well under way. But these alone have already brought about 1.5m. head of cattle to the region.

However, serious mistakes are being made by some of the inexperienced companies. Many have paid no attention to ecological problems. In a few areas, there are already signs of serious soil erosion as the companies, exclusively concerned with the cattle, have taken no measures whatsoever to maintain the fertility of the land.

But as Mr. D. C. Allan, a British grass expert, here told me: "There is no such thing as a free meal. If the farmers don't look after the soil from the beginning, they pay a very high price for it afterwards."

Nonetheless, concern with these problems is growing, particularly on the large ranches. And some of the ranches are enormous, like small countries. The biggest of all is Suiá-Missu, which is controlled by the Italian group, Liquigás, and in which the Vatican has a stake.

It covers an enormous 1.4m. acres. Only a third of its size, 450,000 acres—but still three times larger than the Isle of Man—is Codeara, owned by the Banco de Crédito Nacional, a Sao Paulo banking group. Through its participation in the group's investment bank and finance company, Barclays Bank has a 5 per cent. share *in this ranch*.

Volkswagen do Brasil, which entered late in the field, is now making up *for lost time* on its 350,000 acre ranch. The Canadian group, Brascan, is an even later arriver: Fabrica Nacional de Vagoes, a Brazilian railway equipment manufacturer in which Brascan is the majority share-holder, is at present negotiating the purchase of 250,000 acres of land in Maranhao on the extreme eastern edge of the Amazon area.

Yet, not all companies are keen to jump on the bandwaggon. The British meat-packing group, Frigorifico Anglo, studied numerous projects for three years. Yet, in the end, it gave up: not one of them satisfied the rigorous criterion that the ranch *should* be economically viable without the income tax rebates.

Progress

Many of the companies, in fact, admit that their ranch will only really become a sound economic investment with the appreciation of the land when a basic network of good roads is created and some industries set up.

Progress has been rapid on some of these ranches, although the difficulties are numerous. To begin with, there is the enormous problem of clearing the jungle.

At first, all the companies used the slash-and-burn method. Hundreds of unskilled workers hacked down the dense undergrowth with axes and then set fire to the dead vegetation. Progress was inevitably slow. The workers received precarious medical assistance and, at times, it was common for over a third of the work-force to be down with malaria.

The first technological breakthrough was the "correntao," a 100-metre chain. Pulled by two tractors, it uproots the thickest undergrowth, doing in a few days the work that 200 men can get through in a month. Codeara was one of the pioneer ranches here.

The manager, Sr. Amilcar Rodrigues Gameiro, described his great satisfaction after the first year's result. But, he added, the forest was not defeated so easily. The following year the vegetation grew up again. And this time the new method did not work. The young, pliable vegetation bent over, slipping under the chain.

This year's solution is herbicide. This method is achieving satisfactory results so far. The farmers are confident that the herbicide will have no harmful effects on the local population. Yet no controlled tests have been carried out.

Hit and miss

Indeed, the complete lack of earlier, systematic experiments has meant that all down the line the farmers are doing everything in a hit-and-miss fashion. At times, the "misses" are costly. For example, with the success of the "correntao" method, Codeara thought that it had the jungle-clearing problem beaten.

So it went ahead the next year sowing legumes with the guinea grass to fix nitrogen in the soil. However, later experience showed that this procedure was precocious: as Codeara is now using herbicides for secondary clearings, it is killing off the legumes that it carefully planted last year.

And no-one quite knows how long the residual effects of the herbicide will last. It may be two years—or five—before it is safe to sow legumes again.

What is not lacking on these ranches is money. For various motives, each permanent job that has been created on the ranches has cost an amazing Cr$235,000 (£13,000).

By 1983, the ranches may well be supporting 5m. head of cattle. Most of the companies are planning to export the beef. Four large meat-packing stations, each eventually to handle over 300,000 head of cattle per year, are to be built in the region.

COMMODITY MARKET REPORTS AND PRICES

BASE METALS

COPPER—Higher on the London Metal Exchange, influenced latterly by the movements of sterling in the wake of the Government's economic package. Forward metal opened at £784 and during the morning advanced to £800 with some ... trade interest apparent. In the afternoon, Comex was steady and as the ... that in the morning cash wirebars traded at £767, three months £797, 96, 99, 800, 799, 99.5, 99, 98.5, 97, 97.5. Cathodes: Cash £753, three months £794, 84.5, 85. Kerb: Cash £767.5, three months £797, 97.5, 98, 99, 98.5. Afternoon: Wirebars, three months £802, 01, £805, 01, 03, 04, 04.5, 04, 03, 02. Cathodes: Three months £789. Kerb: Three months £805, 06, 06.5, 06, 05.5, 05, 04.5, 05, 05.5, 05, 04.5. Cathodes: Three months £782.

COPPER	a.m. Official	+ or —	p.m. Unofficial	+ or —
	£	£	£	£
Wirebars				
Cash	767-.5	+8.5	770-1	+7
3 months	797.5-8	+7	802-.5	+6.75
Settlem't	767.5	+8.5	—	......
Cathodes				
Cash	753-.5	+6.5	758-9	+7.5
3 months	784.5-5	+6.5	789-90	+7.5
Settlem't	753.5	+6.5	—	......
U.S. Prml.	—	......	—	......

TIN	a.m. Official	+ or —	p.m. Unofficial	+ or —
High Grade	£	£	£	......
Cash	4933-5	—3.5	4950-5	—10
3 months	5090-5	—25	5015-15	—10
Settlem't	4935	—5	—	......
Standard				
Cash	4933-5	—3.5	4950-5	—10
3 months	5075-7	—21.5	5090-5	—10
Settlem't	4935	—5	—	......
Straits E.	161,246	—45	—	......
New York	—	......	—	......

...Index 01-351 3466 Three months silver 272.4-275.2

PUBLIC NOTICES

CORPORATION OF LONDON PROMISSORY NOTES

...00,000 offered and issued on ... at an average rate of ...% maturing 17.3.77. Applications totalled £56,000,000. The total of ...sory Notes outstanding is ...000.

BIRMINGHAM COUNCIL BILLS

The £6m. ninety one day Bills were issued on Thursday 16th December 1976 with maturity on the 17th March, 1977. Applications totalled £51m. The minimum price accepted was £96.57½. The average rate of discount was 13.7376374%. The total Bills outstanding is £19m.

LEAD

ZINC

SILVER

COFFEE

Robusta futures closed steadier £41 to £53 up from previous close. New life of contract highs were again established in all positions during the final call. Traders noted terminal values had risen around £1,000 per tonne since last September. Market sources said trade and Commission House buying ...

RUBBER

SOYABEAN MEAL

COCOA

GRAINS

SUGAR

WOOL FUTURES

JUTE

MEAT/VEGETABLES

PRICE CHANGES

Prices per ton unless otherwise stated

	Dec. 15 1976	+ or —	Month ago
Metals			
Aluminium	£579	....	£579
Free Market (cif)	$865-900	+7.5	$900-920
Copper			
Cash Wire Bars	£770.5	+7.0	£783
3 months do. do.	£802.25	+6.75	£818.25
Cash Cathode	£758.5	+7.5	£770.5
3 months do. do.	£789.5	+7.5	£804.75
Gold ......Troy oz.	$134.875	—0.5	$132
Lead Cash	£283.5	+1.0	£279.25
3 months	£294.25	—1.0	£292.875
Nickel	£3,286	....	£3,361
Free Market (cif)(lb)	$1.9-2.05	....	$1.95-2.1
Platinum (troy oz.)	£103-108.5	......	105-109.5
Free Market	£90.75	+0.05	£93.5
Quicksilver (76lb)	$95-100	—7.5	$100-107
Silver Troy oz.	260.2p	+3.15	262.95p
3 months	270.1p	+2.95	273.15p
Tin Cash	£4,952.5	—10.0	£4,922.5
3 months	£5,092.5	—10.0	£5,087.5
Wolfram 22.04 lb.cif	$143-146	—1.0	$86-89
Zinc Cash	£387.5	—2.5	£365.5
3 months	£404.5	—2.0	£382.25
Producers	$695	....	$795
Oils			
Coconut Malayan	:	....	:
Groundnut	£527	....	£548
Linseed Crude	£450	....	£450
Palm Malayan	$457r	—	$458
Soyabean	:	....	:
Seeds			
Copra Philippine	$400r	+5.0	$355
Gr'nuts Nigerian	:	....	:
Linseed Can. No.1	£193q	....	£210
Grains			
Barley EEC	£82	....	£78
Home Futures	£80.25	—0.25	£78.35
Maize			
French No. 3 Am.	£80.5	....	£79.5
S.A. Yellow	:	....	:
Wheat			

FINANCIAL TIMES

REUTER'S

DOW JONES

MOODY'S

U.S. Markets

Copper up, grains and silver fall

NEW YORK, Dec. 15.

THE COPPER market closed on the highs on local buying. However, silver closed on the lows with local selling touching stops. Grains were lower on long liquidation by locals, and sugar was on the lows on late trade selling. Cocoa closed lower on late Commission House selling, Bache comments.

Cocoa—Ghana spot 152½ (154½). Bahia spot 150½ (152½). Dec. 140.10 (141.45), 104.75, May nil. Sales: 1,159. March 136.10 (138.50), May 131.00, July 125.90, Sept. 121.60, Dec. 109.25, March ...

Coffee—"C" Contract Dec. 202.00-205.50 (205.00), March 204.50-203.50 (203.45), May 205.02-204.50, July 205.50-203.25, Sept. 205.30-205.00, Dec. 199.50-199.90, March nil. Sales: 1,161.

Copper—Dec. 59.50 (58.60), Jan. 59.60 (58.70), Feb. 60.00, March 60.40, May 61.40, July 62.30, Sept. 63.20, Dec. 64.20, Jan. 64.60. Sales: 3,220.

Cotton—No. 2: March 75.90-76.05 (77.12), May 76.75-76.85 (77.65), July 76.20-76.50, Oct. 71.00, Dec. 67.30-67.40, March 67.55-67.70, May 67.55-67.70. Sales: 4,450.

*Gold—Dec. 132.50 (136.40), Jan. 132.00 (136.70), Feb. 133.50, April 134.30, June 135.50, Aug. 136.70, Oct. 136.00, Dec. 139.30, Feb. 140.60, April 141.90. Sales: 6,663.

Greasewool—Spot 170.0 nom. (same), Dec. 165.0 bid (165.0), March 166.0-175.0 (166.1), May deleted.

†Lard—Chicago loose 19.50 (same). ...

STOCK EXCHANGE REPORT

Sharp late falls in leaders following mini-budget

Share index down 10.5 at 313.8 for two-day fall of 19.9

Account Dealing Dates
Option

*First Declarations	Last Dealings	Account Dealings	Day
Nov. 29	Dec. 9	Dec. 10	Dec. 21
Dec. 13	Dec. 30	Dec. 31	Jan. 12
Jan. 4	Jan. 13	Jan. 14	Jan. 25

*"New time" dealings may take place from 9.30 a.m. two business days earlier.

The immediate reaction of equity markets to the eagerly awaited mini-budget was one of marked disappointment. After losing a little ground on scattered nervous selling during official dealings, leading equities were marked down sharply in the late trading when a fair amount of stock came on offer. The extent of the reaction was well illustrated by the FT 30-share index which extended a modest fall of 2.4 at 3 p.m. to one of 10.5 at 313.8 at the close.

Dealings in British Funds ceased at 3.30 p.m., but prices were expected to open lower to-day following the sharp reaction in sterling on foreign exchange markets in early response to the Chancellor's proposals. Fractional gains at the close of official business were reflected in an improvement of 0.05 to 58.92 in the Government Securities index.

Gilts harder at 3.30 pm

The 10 per cent. increase in the duty on tobacco and alcoholic drinks was less harsh than expected and, although dull, the Tobacco and Brewery sectors held up reasonably well. Overall, the trend was to lower levels but secondary issues were overshadowed by the late activity in the leaders and significant changes in the former were few and far between. Falls led rises by nearly 2-1 in FT-quoted Industrials, while the FT-Actuaries All-share index gave up 1.1 per cent. to 138.64. Official markings of 4,925 compared with 5,770 on Tuesday and 4,877 a week ago.

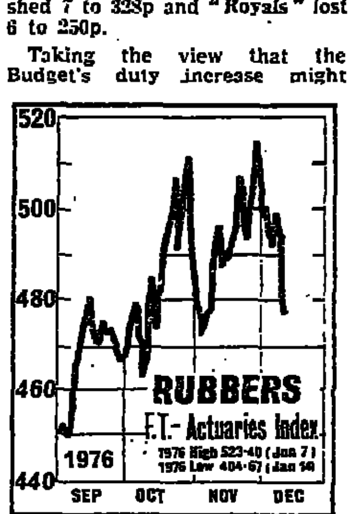
In a continuation of the previous evening's late recovery movement, British Funds were considered to have behaved well in the face of a November trade deficit which was the third largest ever. Business was naturally moderate, but gains extending to ⅜ appeared against the shorts, while medium and longer-dated issues were often ½ harder in the run-up to the 3.30 p.m. close when business ceased for the day. Initial reaction to Mr. Healey's measures was one of disappointment, partly because of the lack of monetary targets, and quotations at the longer end of the market may open as much as ½ lower to-day, but much depends on the course of sterling.

Institutional two-way business provided the bulk of an increased turnover in the investment currency market. For most of the day, rates were on a declining trend but the late easiness in sterling prompted a marked recovery in the premium to 116¼ per cent., up ¾ on balance, after a low point of 112 per cent. Yesterday's SE conversion factor was 0.7224 (0.7197).

Most of the action in the Banking sector took place in inter-office dealings as prices wilted quite sharply on disappointment with the Budget. Discounts came in for a sharp mark-down and double-figure falls were commonplace. Allen Harvey and Ross, 325p, Cater Ryder, 195p, and Seccombe Marshall and Campion, 210p, recorded falls of between 20 and 25p, while Union lost 16 to 272p and Alexanders 13 to 172p. Among smaller-priced issues, Smith St. Aubyn fell 9 to 47p and Clive receded 4 to 30p. The big four Banks, idle for most of the day, also turned down late and finished with losses to 11, as in National Westminster, at 192p.

Against the dull trend in Insurances, Leslie and Godwin stood out with a speculative gain of 5 to 107p, after 111p on revived bid hopes. Sun Alliance, however, shed 7 to 328p and "Royals" lost 6 to 250p.

Taking the view that the Budget's duty increase might have been higher, dealers marked Brewery prices better after the Chancellor's statement. However, prices drifted lower late and the closing trend was soft with the exception of Arthur Guinness which hardened 2 to 116p, after 117p, more on further consideration of the results. Allied touched 54½p before closing a shade off on balance at 53½p and Bass Charrington and Whitbread "A" both eased around a penny to 73p and 56p respectively. The increased duty on spirits had little impact on Distillery shares which closed with modest losses; in front of to-day's interim results, Distillers ended 2 down at 111p. H. P. Bulmer shed a penny to 88p, after 87p, despite higher first-half earnings.



In Timbers, Montague L. Meyer shed a penny to 43p following further consideration of the interim figures. Phoenix closed a like amount off at 59p while International eased 2 to 64p and Magnet and Southerns declined 5 to 100p. Elsewhere, A. V. Jennings receded 4 to 100p and A.P. Cement 6 to 125p. O. C. Summers were notable for a reaction of 3 to 20p following news of the Boardroom dispute.

Having fluctuated narrowly around the overnight level of 305p, ICI reacted sharply in the late trade to close 10 cheaper at the day's lowest of 296p. Elsewhere, British Benzol Carbonising finished a penny harder at 24p on the first-half profits increase. Plysu, with interim figures to-day, eased 2 to 40p, while losses of 3 were seen in Albright and Wilson, 76p, and Yorkshire, 91p.

EMI dull

Electricals turned reactionary in the late trade and closed at the day's worst. EMI featured with a decline of 9 to 208p and General Electric were finally 6 off at 157p. Losses of 4 were sustained by Electrocomponents, 84p, and Racal Electronics, 222p. United Scientific ended 3 off at 125p despite the disclosure of sharply increased earnings, while Pye Holdings, a firm market recently on the planned reorganisation, lost a like amount to 58p. Farnell Electronics contrasted with a rise of 4 to 71p, while, among smaller-priced issues, fractional improvements were seen in Dubilier, 10p, and Automated Security, 12p.

Stores came on offer late and closed with some fairly substantial losses. Gussies "A" dropped 5 to 157p for a two-day fall of 11, while Marks and Spencer, 85p, and British Home Stores, 127p, both closed 4 down. Burton "A" shed a penny to 26p in front of to-day's preliminary statement, while losses of 3 were seen in Debenhams, 56p, and House of Fraser, 63p. Formminster eased 2 to 52p, James Walker Non-Voting 3 to 28p. Against the trend, K. O. Boardman International closed fractionally harder at 8p following further consideration of the interim report. Mail Orders had an easier tendency, Empire Stores easing a penny to 69p and Freemans (London) receding 2 to 113p.

Engineering well illustrated the general trend with the leaders as much as 10 lower, but secondary issues often a shade higher on the day. Hawker reacted 10 late to 400p, while Vickers fell 6 to 131p and Tube Investments a like amount to 284p. GKN slipped from an earlier level of 267p to close a net 4 easier at 260p and John Brown ended similarly cheaper at 90p. Spear and Jackson responded to the Hestair share exchange offer with a fresh rise of 8 to 106p, after 108p, while the latter eased 1 to 71p. Dunford and Elliott were another firm counter, on the official profits forecast, and rose 5 to 41p, while bidders Johnson and Firth Brown remained at 45p, which values the offer at only 36p for each Dunford and Elliott share. Still reflecting the WGI acquisition of an increased stake, Christy Bros. rose 3 further to 30p. Braithwaite gained 5 to 118p and Weston-Evans 2 to 41p on the respective first-half results. TCK, however, fell 5 to a low for the year of 22p following the disappointing mid-way loss. Elsewhere, Raden Carrier moved up 7 to 67p, largely as a result of a bear squeeze, but Simon, at 125p, shed 4 of the recent rise.

Foods ended on a dull note following a quiet session. Tate and Lyle reacted 4 to 246p for a two-day loss of 12, while Cavenham finished 2 off at 87p and J. Sainsbury closed 3 cheaper at 116p. Unigate, with interim figures to-day, finished marginally easier at 41½p. Charles Goldrei Foucard shaded a penny to 26p despite the first-half profits increase. Millers remained sensitive to recent publicity forecasting a bread price war in the New Year; Spillers gave up a penny at 22½p, while RHM, 32½p, and Associated British Foods, 44p, both closed fractionally cheaper. FMC, however, improved 4 to 40p on further consideration of the interim statement. Supermarkets drifted lower in light trading, Tesco shedding a penny to 30p.

Ind. leaders dull

Grand Metropolitan remained dull, the Ordinary losing 2 to 51p for a two-day fall of 5 and the 10 per cent. Convertible declining 4½ points to £65. Ladbroke were finally only a penny easier at 88p, after 86p; sentiment was helped by the omission of any increases in the betting levy in the mini-Budget.

Idle and a shade easier for most part of the day, the Miscellaneous Industrial leaders took a distinct turn for the worse after-hours on acute disappointment with the Chancellor's proposals. Stock came on offer late and Beecham, 358p, and Bowater, 160p, both closed 8 lower as did Unilever, 400p. Turner and Newall lost 5 to 120p and Glaxo closed a similar amount easier at 378p, while Boots gave up 4 to 108p. Elsewhere, secondary issues were not so adversely affected. Siebe Gorman ended 4 lower at 109p and De La Rue shed 5 to 225p, while further consideration of the results left I.C. Gas 2 cheaper at 304p. A Press suggestion that Imperial Knife might be prepared to raise their offer for Richards (Sheffield) to 27p per share left the latter a penny dearer at a 1976 peak of 26p. George Ewer hardened a shade to 14½p after the interim results and Bellair Cosmetics found support at 14p, up 3. Far-eastern advices left Jardine Matheson 4 to the good at 310p. Wheelock Marden eased a shade more to 44p, after 43p, on the disclosure that Hong Kong Land had terminated bid discussions a day after Hutchison International had also bowed out.

Motors and Distributors were looking easier in the late trade. Lucas Industries reacted 5 to 185p for a two-day fall of 11, while Dowty, 85p, and Dunlop, 66p, both finished 3 down. Associated Engineering, however, managed to close without alteration at 78p awaiting to-day's preliminary statement.

Newspapers and Printings eased a shade, where changed, apart from Wace Group which, on increased first-half profits, gained 2 to 13p. William Collins, in Publishers, were marginally harder at 92p, while London and Provincial Posters picked up 3 to 99p.

Oils slip late

Mr. Healey's confirmation that the Government proposed to sell part of its British Petroleum holding coupled with first thoughts on the Chancellor's Budget measures saw Oils falling back. BP were additionally upset by small U.S. offerings and closed 16 lower at the day's worst of 720p, while Shell reacted 6 to 416p and Burmah 2 to 39p; overseas influences pushed Royal Dutch up ½ to £40¾. Secondary issues followed the downtrend and Ultramar lost 4 to 106p and Tricentrol 2 to 80p. Amid the dullness British-Borneo stood out with a rise of 26 to 150p, after 158p, on the announcement that Gold Fields was in discussions which might lead to them making a cash offer for the former's shares not already owned. Berry Wiggins also resisted and ended the turn harder at 27p.

Properties were caught up in the late easiness and Land Securities settled 3 lower, at 125p, after having been that much higher initially at 131p. Similarly, Stock Conversion lost 3 to 145p, after 149p, while MEPC, awaiting to-day's preliminary figures, shed the same amount to 43p. Marler Estates had discounted poor half-yearly results and remained at 9½p.

Harrisons and Crosfield, 12 lower at 375p, provided the only movement of note in quiet Overseas Traders.

Shippings met with a fair amount of inquiry in the later stages and prices tended to drift lower. P and O Deferred ended 4 off at 108p, after 107p, while Ocean Transport lost 3 to 124p.

Investment Trusts had little to commend them. Bucknall edged forward a shade to 17½p and now stand 1½ above the bid terms offered by Gresham House Estate, while Family put on 4 to 42p. In Financials, Charterhouse eased a penny to 39p in front of to-day's preliminary results.

Among irregular Textiles, Courtaulds suffered a late reaction and closed 4 lower at 75p. John Haggas gave up 5 to 260p in a thin market and Homfray eased a penny to 49p; the latter's preliminary results are due to-day.

The duty increase helped to accentuate an earlier easier trend in Tobaccos. Imps came to rest 3½ lower at 60p as di[...] Deferred, at 215p; the Ordinary receded 5 to 25[...]

In idle Plantations, [...] cheapened 3 to 157p in [...] to-day's interim results.

Quiet Mines

Tuesday evening's mod[...] in South African Golds c[...] briefly yesterday before [...] bination of the easier [...] price, which was finally [...] down at $134.375 per ou[...] the marginally lower in[...] currency premium cause[...] to turn easier and subs[...] close at or around their o[...] levels.

The latest batch of d[...] prompted a modest int[...] West Dries., which har[...] to £18¾ following the bet[...] expected interim. The E[...] interim was also well [...] and the shares rose 10 [...]

Libanon, however, gave [...] 300p reflecting the low[...] expected dividend. The [...] 0.3 improvement in th[...] Mines index to 120.2 was [...] upward movement fo[...] trading days.

The London-based F[...] declined a few pence in [...] the trend in U.K. In[...] following the mini-budg[...] Tinto-Zinc were 2 off at [...] Gold Fields 3 lower at 1[...]

In Tins, Saint Piran [...] to 49p owing to profit-t[...] the four weeks prior t[...] day's news of a sharp [...] first-half profits the sha[...] come up from 34p.

The further decline ir[...] vestment dollar premi[...] tinued to restrain. A[...] issues, but prices w[...] generally a shade bette[...] ing the tone of overnig[...] markets. Selcast advanc[...] 62p, while Ramsey[...] Wallsend both put on 3 [...] and 370p, respectively.

FINANCIAL TIMES STOCK INDICES

	Dec. 15	Dec. 14	Dec. 13	Dec. 10	Dec. 9	Dec. 8
Government Secs.	58.92	58.87	59.01	58.75	58.66	58.51
Fixed Interest	59.00	58.82	58.42	58.01	58.16	58.18
Industrial Ordinary	313.8	324.3	335.7	330.1	319.4	320.0
Gold Mines	120.2	119.9	122.6	127.4	133.3	135.1
Ord. Div. Yield	6.90	6.70	6.54	6.62	6.83	6.78
Earnings Y'ld % (full)*	21.69	21.06	20.53	20.79	21.46	21.05
P/E Ratio (net) (*)	5.75	5.95	7.15	7.04	6.82	6.95
Dealings marked	4,925	5,770	5,814	4,900	4,950	4,877
Equity turnover £m.	—	57.86	77.88	53.61	68.25	83.96
Equity bargains total	—	12,554	14,215	12,120	13,678	13,541

10 a.m. 324.8. 11 a.m. 323.5. Noon 322.1. 1 p.m. 322.2.
2 p.m. 321.3. 3 p.m. 321.9.
Latest index 01-246 8026.

* Based on 52 per cent. corporation tax. † Nil=8.89.
Basis 100 Govt. Secs. 15/10/26. Fixed Int. 1928. Ind. Ord. 1/7/35. Mines 12/10/55. SE Activity July-Dec. 1942. ‡ Corrected.

HIGHS AND LOWS

	1976 High	1976 Low	Since Compilation High	Since Compilation Low
Govt. Secs.	65.21 (30/1)	56.88 (27/10)	127.4 (9/1/35)	49.18 (3/1/75)
Fixed Int.	64.45 (2/2)	55.57 (26/10)	150.4 (28/11/47)	50.53 (3/1/75)
Ind. Ord.	420.8 (6/2)	265.3 (27/10)	545.8	49.4
Gold Mines	246.9 (2/1)	78.8 (25/8)	442.3 (22/5/75)	43.5 (26/10/71)

S.E. ACTIVITY

	Dec. 15
Daily—	
Gilt-Edged	240.5
Industrials	148.7
Speculative	32.6
Totals	112.0
5-day Av'ge—	
Gilt-Edged	209.6
Industrials	164.2
Speculative	34.6
Totals	128.1

F.T.—ACTUARIES SHARE INDICES

These indices are the joint compilation of the Financial Times, The Institute of Actuaries and the Faculty of Actuaries

EQUITY GROUPS — GROUPS & SUB-SECTIONS. Figures in parentheses show number of stocks per section. Wednesday, December 15, 1976: Index No.; Day's Change %; Est. Earnings Yield % (Max.) Corp. Tax 52%; Gross Div. Yield % (ACT at 35%); Est. P/E Ratio (net) Corp. Tax 52%; Est. P/E Ratio (nil) Corp. Tax 52%. Highs and Lows Index: 1976 and Since Compilation.

	Equity Groups	Index No.	Day's Change %	Est. Earnings Yield % (Max.)	Gross Div. Yield % (ACT at 35%)	Est. P/E Ratio (net)	Est. P/E Ratio (nil)	Tues. Dec. 14 Index No.	Monday Dec. 13 Index No.	Friday Dec. 10 Index No.	Thurs. Dec. 9 Index No.	Year ago (approx.) Index No.	1976 High	1976 Low	Since Compilation High	Since Compilation Low
1	CAPITAL GOODS (178)	122.13	−0.4	23.08	7.86	6.45	6.40	122.67	124.71	121.81	120.71	139.20	163.06 (21/4)	100.85 (22/10)	206.37 (4/5/72)	50.71 (13/12/74)
2	Building Materials (30)	95.93	−1.6	25.65	10.20	5.87	5.87	97.50	100.03	97.75	97.86	136.31	150.18 (15/1)	85.53 (27/10)	235.84 (2/5/72)	44.27 (11/12/74)
3	Contracting, Construction (22)	148.49	−1.7	30.05	7.34	5.13	5.13	151.02	151.37	147.66	149.99	241.92	260.20 (15/1)	122.08 (27/10)	389.35 (19/5/72)	71.48 (2/12/74)
4	Electricals (16)	251.83	+0.2	19.46	5.74	7.66	7.47	251.37	257.73	254.05	246.22	241.13	287.30 (21/4)	190.54 (27/10)	350.04 (4/5/72)	84.71 (25/6/62)
5	Engineering (Heavy) (13)	154.16	−0.5	31.35	8.52	4.64	4.58	155.01	159.30	152.42	151.55	158.86	193.18 (5/5)	123.56 (27/10)	202.57 (6/6/75)	64.39 (2/1/75)
6	Engineering (General) (66)	114.59	−0.2	22.82	8.16	6.47	6.47	114.84	116.05	112.50	111.94	121.99	149.39 (5/5)	95.20 (28/10)	168.59 (4/5/72)	45.43 (6/1/75)
7	Machine and Other Tools (9)	53.59	−0.4	18.45	8.29	8.09	8.07	53.79	53.43	52.70	52.40	49.08	60.62 (5/5)	45.29 (11/1)	156.70 (4/7/66)	19.96 (13/12/74)
8	Miscellaneous (22)	103.75	+0.2	21.62	8.84	6.76	6.69	103.54	103.93	102.52	102.83	118.63	141.94 (11/5)	90.23 (28/10)	177.41 (2/4/72)	49.65 (6/1/75)
9	CONSUMER GOODS (DURABLE) (53)	104.42	−0.6	23.86	6.86	6.28	6.27	105.10	107.57	103.91	103.36	115.62	141.46 (21/4)	83.12 (28/10)	227.78 (21/4/72)	38.39 (6/1/75)
10	Lt. Electronics, Radio TV (15)	113.68	−0.6	22.30	5.18	6.67	6.67	114.42	117.82	112.95	111.66	130.42	160.35 (7/4)	87.51 (27/10)	257.41 (1/5/72)	42.65 (13/12/74)
11	Household Goods (13)	114.30	−0.5	26.74	10.52	5.69	5.67	114.91	114.88	114.37	115.85	163.17	187.22 (7/4)	104.30 (28/10)	263.22 (4/5/72)	63.92 (17/12/74)
12	Motors and Distributors (25)	70.20	−0.7	25.15	8.12	5.97	5.97	70.67	72.21	69.90	69.74	67.41	85.16 (5/5)	56.10 (28/10)	170.59 (15/1/69)	19.91 (6/1/75)
13	CONSUMER GOODS (NON-DURABLE) (170)	123.59	−1.4	18.67	7.96	8.10	8.02	125.39	129.09	125.05	125.61	146.21	162.24 (4/2)	104.41 (27/10)	226.08 (16/8/72)	61.41 (13/12/74)
14	Breweries (15)	128.01	−1.9	18.63	9.16	8.04	8.04	130.45	135.83	133.01	134.84	158.65	179.43 (2/2)	111.17 (27/10)	281.87 (28/11/72)	69.47 (13/12/74)
15	Wines and Spirits (6)	142.95	−2.8	16.84	7.93	9.12	9.12	147.10	153.23	148.25	148.51	161.00	190.67 (5/5)	124.71 (28/10)	257.40 (15/7/72)	78.88 (13/12/74)
16	Entertainment, Catering (15)	154.64	−2.5	17.45	8.69	8.75	8.67	158.63	162.76	156.78	156.23	186.23	211.26 (2/3)	127.11 (26/10)	329.99 (12/12/72)	54.83 (9/1/75)
17	Food Manufacturing (23)	137.69	−0.6	21.26	6.81	7.10	6.98	138.47	142.48	138.25	139.50	168.85	179.44 (11/5)	120.54 (27/10)	211.65 (1/6/72)	59.67 (11/12/74)
18	Food Retailing (16)	119.29	−1.1	16.43	6.65	8.93	8.93	120.65	122.62	118.09	119.61	143.84	150.05 (12/1)	92.79 (28/10)	235.08 (16/8/72)	54.25 (11/12/74)
19	Newspapers, Publishing (16)	185.68	—	14.22	5.77	10.65	10.65	185.70	188.51	183.22	182.02	160.19	188.51 (13/5)	148.46 (12/10)	263.29 (18/1/73)	55.08 (6/1/75)
20	Packaging and Paper (12)	83.76	+0.6	21.33	9.62	7.19	7.19	83.26	85.03	83.30	82.75	101.96	112.50 (28/2)	72.34 (27/10)	155.69 (26/4/72)	43.46 (6/1/75)
21	Stores (34)	98.66	−2.2	15.84	7.29	9.72	9.70	100.92	104.09	100.16	100.85	121.07	136.24 (2/2)	78.47 (28/10)	204.59 (16/6/72)	52.63 (6/1/75)
22	Textiles (24)	107.64	−1.5	18.93	11.02	8.30	7.53	109.03	111.60	108.63	108.97	160.31	183.34 (30/1)	96.76 (27/10)	236.72 (17/1/67)	62.66 (11/12/74)
23	Tobaccos (3)	196.65	−0.9	22.28	8.79	6.68	6.68	198.54	204.64	198.63	197.54	209.34	241.98 (3/5)	167.36 (28/10)	339.16 (2/8/72)	94.34 (26/6/62)
24	Toys and Games (6)	71.70	−0.2	23.09	8.85	5.81	5.78	71.87	72.23	70.45	70.42	63.21	80.95 (16/7)	59.13 (22/1)	135.72 (16/1/70)	20.92 (6/1/75)
	OTHER GROUPS (95)															
25	Chemicals (26)	188.13	−0.8	17.22	6.14	7.90	7.90	189.58	195.60	188.63	187.19	195.31	231.38 (3/5)	155.10 (27/10)	231.38 (3/5/76)	71.20 (1/12/74)
26	Office Equipment (9)	65.70	+0.1	18.39	8.04	7.95	7.95	65.64	67.59	65.72	64.90	86.33	100.18 (19/5)	58.33 (28/10)	246.06 (1/8/72)	45.34 (2/1/75)
27	Shipping (12)	361.11	−1.2	14.97	7.36	9.57	8.72	365.51	376.62	365.53	361.67	356.96	432.64 (30/1)	308.48 (26/10)	517.00 (5/12/72)	90.80 (29/6/62)
28	Miscellaneous (48)	128.40	−1.6	19.33	9.18	7.71	7.71	130.43	133.86	128.72	129.11	150.33	172.98 (21/4)	108.14 (27/10)	258.85 (2/5/72)	60.39 (6/1/75)
29	INDUSTRIAL GROUP (496)	128.46	−1.0	19.73	7.66	7.49	7.43	129.80	133.21	129.11	128.87	146.78	166.38 (5/5)	107.62 (27/10)	220.17 (1/5/72)	59.01 (13/12/74)
30	OILS (4)	387.84	−1.8	10.98	4.52	10.55	9.71	395.03	400.65	403.97	400.57	320.98	405.19 (6/12)	315.67 (11/10)	431.66 (29/5/69)	87.23 (29/5/62)
31	500 SHARE INDEX	149.15	−1.2	18.04	7.06	7.94	7.78	150.94	154.55	150.95	150.47	161.32	185.00 (5/5)	125.80 (27/10)	227.95 (18/8/72)	63.49 (13/12/74)
32	FINANCIAL GROUP (100)	106.02	−0.8	—	7.44	—	—	106.92	109.73	105.95	105.53	131.81	133.46 (30/1)	87.19 (28/10)	241.41 (1/4/72)	55.88 (13/12/74)
33	Banks (6)	126.85	−3.6	26.63	7.29	5.78	5.78	131.58	135.25	129.63	127.50	162.77	192.16 (29/1)	111.33 (27/10)	288.32 (20/7/72)	62.44 (12/12/74)
34	Discount Houses (10)	146.03	−1.2	—	9.54	—	—	147.83	149.97	140.88	140.77	164.13	186.52 (15/1)	97.72 (26/10)	295.15 (2/5/72)	61.40 (10/12/74)
35	Hire Purchase (5)	76.72	+1.0	9.57	8.82	33.10	33.10	75.96	74.54	70.59	71.52	104.60	132.10 (26/2)	53.25 (27/10)	433.74 (4/5/72)	38.83 (11/12/74)
36	Insurance (Life) (10)	88.34	−0.1	—	8.56	—	—	88.42	90.64	88.48	89.12	114.31	129.46 (30/1)	73.11 (28/10)	194.46 (15/3/72)	44.88 (2/1/75)
37	Insurance (Composite) (7)	83.72	+0.8	—	8.83	—	—	83.08	85.72	83.05	82.91	104.58	119.75 (30/1)	68.99 (28/10)	155.76 (21/4/72)	43.96 (13/12/74)
38	Insurance Brokers (9)	226.96	+0.6	13.24	6.14	11.31	11.31	225.53	232.91	226.93	226.88	216.87	276.90 (11/6)	178.27 (27/10)	276.90 (11/5/76)	65.86 (16/12/74)
39	Merchant Banks (15)	52.16	+0.4	—	8.05	—	—	51.95	52.35	50.10	50.21	84.24	93.83 (27/1)	45.15 (22/10)	278.57 (1/6/72)	31.21 (7/1/75)
40	Property (32)	132.99	+0.1	4.82	4.17	36.92	34.92	132.88	135.86	131.99	132.35	155.57	194.57 (30/1)	95.95 (27/10)	357.40 (9/11/73)	56.01 (20/4/65)
41	Miscellaneous (6)	66.90	−0.7	20.08	12.89	7.58	7.58	67.37	69.49	64.75	64.73	77.82	91.98 (3/2)	55.37 (28/10)	303.18 (18/5/72)	33.29 (17/12/74)
42	Investment Trusts (50)	141.70	−0.6	3.80	5.46	27.19	27.19	142.50	143.69	140.70	142.04	167.00	184.55 (30/1)	115.09 (28/10)	245.79 (25/4/72)	71.63 (13/12/74)
43	ALL-SHARE INDEX (650)	138.64	−1.1	—	7.03	—	—	140.18	143.47	139.88	139.52	154.35	172.64 (30/1)	116.29 (27/10)	228.18 (1/5/72)	61.92 (13/12/74)
	COMMODITY GROUPS (Not included in 500 or All-Share indices)															
44	Rubbers (9)	477.17	−1.2	8.66	6.02	15.45	14.08	483.04	493.78	498.90	491.96	378.29	523.40 (7/6)	404.67 (14/1)	555.37 (25/7/73)	84.68 (25/8/65)
45	Teas (8)	131.70	—	32.02	9.34	4.11	3.98	131.70	130.85	132.20	131.86	115.92	142.43 (6/7)	117.89 (7/1)	142.43 (6/7/76)	59.72 (17/10/74)
46	Coppers (3)	140.33	−1.0	46.17	7.98	2.17	2.17	141.75	143.16	148.81	152.30	255.14	301.47 (7/1)	140.33 (15/12)	567.78 (13/7/73)	94.08 (28/4/62)
47	Mining Finance (11)	82.46	−0.6	11.32	5.86	9.69	9.62	82.95	83.87	83.50	84.41	109.71	119.77 (7/1)	77.56 (15/10)	175.90 (28/4/69)	66.31 (30/9/74)
48	Tins (5)	118.90	−0.6	11.90	9.35	12.95	12.77	119.65	118.95	119.04	119.19	87.97	126.36 (7/10)	86.09 (9/2)	126.36 (7/10/76)	64.63 (27/5/70)
49	Overseas Traders (13)	205.70	−1.2	17.88	6.70	7.66	7.65	208.11	208.38	204.18	204.51	215.96	254.47 (3/5)	178.31 (27/10)	254.47 (3/5/76)	97.37 (6/1/75)

	FIXED INTEREST	Wednesday, Dec. 15 Index No.	Yield %	Tuesday Dec. 14	Monday Dec. 13	Friday Dec. 10	Thurs. Dec. 9	Wed. Dec. 8	Tuesday Dec. 7	Monday Dec. 6	Year ago (approx.)	1976 High	1976 Low	Since Compilation High	Since Compilation Low
1	Consols 2½% yield	—	14.80	14.80	14.79	14.88	14.99	14.98	14.98	14.97	14.92	—	—	—	—
2	20-yr. Govt. Stocks (8)	44.87	†14.41	44.80	45.03	44.70	44.55	44.44	44.55	44.57	46.25	53.45 (30/1)	42.31 (27/10)	118.42 (11/7/63)	38.27 (8/1/76)
3	20-yr. Red. Deb. & Loans (15)	45.82	†16.05	45.77	45.39	45.35	45.27	45.23	45.27	45.02	46.42	52.40 (21/5)	43.09 (2/11)	113.43 (23/10/63)	37.01 (3/1/75)
4	Investment Trust Prefs. (15)	44.23	15.72	44.18	44.18	44.02	43.74	43.74	43.88	43.84	46.73	51.23 (18/2)	40.54 (8/10)	114.41 (13/9/63)	34.48 (4/12/74)
5	Coml. and Indl. Prefs. (20)	62.10	14.64	61.76	61.24	61.02	60.99	60.85	60.76	60.68	63.48	71.97 (2/2)	54.89 (8/10)	114.96 (7/10/63)	47.67 (8/1/75)

† Redemption yield. A list of the constituents of the FT-Actuaries Share Indices is obtainable from the Publishers, The Financial Times, Bracken House, Cannon Street, London, EC4P 4BY, price 13p, by post 20p.

ACTIVE STOCKS

Stock	Denomination	No. of marks	Closing price (p)	Change on day	1976 high	1976 low
BP	£1	13	720	−16	780	557
ICI	£1	12	296	−10	402	236
BATs Defd.	25p	11	215	−3	225	183
Courtaulds	25p	11	75	−4	169	73
Shell Transport	25p	11	416	−6	462	332
Distillers	50p	9	111	−2	158	95½
Dunford & Elliott	25p	8	41	+5	49	13
EMI	50p	8	208	−9	277	173
GEC	25p	8	157	−6	169	112
Leslie & Godwin	10p	8	107	+5	139	90
P. & O. Defd.	£1	8	108	−4	119	87
Barclays Bank	£1	7	218	−7	330	190
Burmah Oil	£1	7	39	−2	53	25
GUS A	25p	7	157	−5	224	123
GKN	£1	7	260	−4	360	203

The above list of active stocks is based on the number of bargains recorded yesterday in the Official list and under Rule 163(1) (e)

Option Report—3-month Call rates

OPTION DEALING DATES

First Dealings	Last Dealings	Last Declaration	For Settlement
Dec. 7	Dec. 20	Mar. 10	Mar. 22
Dec. 21	Jan. 11	Mar. 24	Apr. 5
Jan. 12	Jan. 24	Apr. 6	Apr. 19

Calls were dealt in Ladbroke, Burmah Oil, Lloyds and Scottish, GEC, Charterhall Finance, Henlys, National Westminster Bank, Dunlop, Tube Investments, Ladbroke Warrants, EMI, and Burton Warrants. Puts were done in Courtaulds, Vickers, Thorn Electrical A and Guest Keen, while doubles were arranged in Beecham. A short-dated double was arranged in ICI, while puts were dealt in Thorn Electrical A and Guest Keen.

NEW HIGHS AND LOWS FOR 1976

The following securities quoted in the Share Information Service yesterday attained new Highs and Lows for 1976.

NEW HIGHS (7)

RISES AND FALLS

CORAL INDEX
Close 314-319

MONEY MARKET

Exceptional assistance

Bank of England Minimum Lending Rate 14¼ per cent. (since November 19, 1976)

Day-to-day credit was in short supply in the London money market yesterday and the authorities gave exceptionally large assistance by buying a small number of Treasury bills and eligible bank bills from the discount houses and banks, and by lending an exceptionally large amount, overnight to 10 or 11 houses, at Bank of England Minimum Lending Rate.

Banks carried forward run-down balances, repayment was made of official advances to the market, there was a net market take-up of Treasury bills, and also a continuation of the pre-Christmas rise in the note circulation. On the other hand Government disbursements exceeded revenue payments to the Exchequer.

Discount houses paid 14½-15¼ per cent. for secured call loans in the early part, and closing balances were taken at 13-14½ per cent.

In the inter-bank market overnight loans opened at 15½-15¾ per cent. and rose to 17-18 per cent. before easing to 10½-11½ per cent. at the close.

Short-term fixed period interest rates recorded mixed changes, but discount houses buying rates for three-month Treasury bills continued to indicate a possible cut of ½ per cent. in Minimum Lending Rate at to-morrow's bill tender.

Rates in the table below are nominal in some cases.

BASE LENDING RATES

Allied Irish Banks Lt[...]
American Express Ba[...]
Anglo-Portuguese Ba[...]
Henry Ansbacher [...]
Banco de Bilbao [...]
Bank of Credit & Co[...]
Bank of Cyprus [...]
Bank of N.S.W. [...]
Banque du Rhone S[...]
Barclays Bank [...]
Barnett Christie Lt[...]
Bear Securities Ltd. [...]
Bremar Holdings L[...]
Brit. Bank of Mid. E[...]
Brown Shipley [...]
Canada Permanent A[...]
Capitol C & C Fin. L[...]
Cayzer, Bowater Co. L[...]
Cedar Holdings [...]
Charterhouse Japhet [...]
C. E. Coates [...]
Consolidated Credits [...]
Co-operative Bank [...]
Corinthian Securities [...]
Credit Lyonnais [...]
G. R. Dawes [...]
Duncan Lawrie [...]
Eagil Trust [...]
English Transcont. [...]
First London Secs. [...]
First Nat. Fin. Corp. [...]
First Nat. Secs. Ltd. [...]
Goode Durrant Trust [...]
Antony Gibbs [...]
Greyhound Guaranty [...]
Grindlays Bank [...]
Guinness Mahon [...]
Hambros Bank [...]
Hill Samuel [...]
C. Hoare & Co. [...]
Julian S. Hodge [...]
Hongkong & Shangh[...]
Industrial Bank of Sc[...]
Keyser Ullmann [...]
Knowsley & Co. Ltd. [...]
Lloyds Bank [...]
London & European [...]
London Mercantile [...]
Midland Bank [...]
Samuel Montagu [...]
Morgan Grenfell [...]
National Westminst[...]
Norwich General Tr[...]
P. S. Refson & Co. [...]
Rossminster Accept[...]
Royal Bk. Canada Tr[...]
Schlesinger Limited [...]
E. S. Schwab [...]
Security Trust Co. L[...]
Shenley Trust [...]
Standard Chartered [...]
Trade Development [...]
Twentieth Century B[...]
United Bank of Kuw[...]
Whiteaway Laidlaw [...]
Williams & Glyn's [...]
Yorkshire Bank [...]

INSURANCE & [...] RATES

Property Growth [...]
Cannon Insurance [...]

AUTHORISED UNIT TRUSTS

INSURANCE, PROPERTY, BONDS

REGIONAL MARKETS

...election of the share prices previously shown under regional headings is ...ed below with quotations on London. Irish issues, most of which are not ...ly listed in London, are shown separately and with prices as on the Irish ...ge.

						IRISH		
Inv. 20p	16	......	Higsons Brew.	68	......	Conv. 9% '80/82		......
...inning	32	−2	I.O.M. Stm. £1	134	......	Alliance Gas	47	......
...l	21	......	Holt (Jos.) 25p	180	......	Arnott	[illegible]	......
... Est. 50p	126	......	Kleen-e-Ze	37	......	Carroll (P.J.)	94	......
Croft	23	......	Lovell's Ship £1	180	......	Clondalkin	32	−1
... Rose £1	350	......	N'thn. Goldsmith	22	......	Concrete Prods.	41	......
(R.A.)	20	......	Pearce (C. H.)	85	......	Heiton (Hldgs.)	21	......
McHdy.	60	......	Peel Mills	11	......	Ind. News	37	......
Pr'k 10p.	25	......	RobbCaledon5h.	45	−1	Ins. Corp.	[illegible]	......
...l	9	......	Sayers 12½p	15	......	Irish Distillers	[illegible]	......
...orge	49	......	Sheffield Brick	68	......	Irish Ropes	87	+3
...y Pkg. 5p.	16	......	Sheff. Refrshmt.	140	......	Jacob	48	......
Ship. £1	380	......	Shiloh Spinn.	28	......	Sunbeam	22	......
...Sleigh 10p	6	......	Sindall (Wm.)	49	......	T.M.G.	78	......
						Unidare	44	......

LEADERS AND LAGGARDS

The following table shows the percentage changes which have taken place since December 31, 1975, in the principal equity sections of the F.T. Actuaries Share Indices. It also contains the Gold Mines Index.

...	+27.91	Food Retailing	−15.79
...	+19.91	Wines and Spirits	−15.97
...	+19.21	Consumer Goods (Non-durable) Group	−16.17
...nd Games	+15.67	Electronics, Radio and TV	−16.45
...pers and Publishing	+14.26	Breweries	−17.82
...	+11.22	Stores	−18.24
...Tools	+ 5.68	Packaging and Paper	−20.04
...ce Brokers	+ 3.86	Banks	−20.55
...als	+ 2.75	Insurance (Composite)	−21.30
...and Distributors	+ 1.57	Financial Group	−21.39
...	− 0.79	Office Equipment	−22.98
...ls	− 4.02	Property	−23.85
...ring (Heavy)	− 5.12	Insurance (Life)	−24.68
...ring (General)	− 7.38	Hire Purchase	−26.67
...e Index	− 8.57	Mining Finance	−26.69
...s Traders	− 8.70	Building Materials	−30.12
...	−10.04	Household Goods	−31.79
...c Index	−11.32	Textiles	−33.17
...er Goods (Durable) Group	−12.75	Contracting and Construction	−36.82
...l Group	−13.44	Merchant Banks	−39.10
...Goods Group	−13.62	Coppers	−45.78
...anufacturing	−14.73	Gold Mines F.T.	−48.62

† percentage changes based on Tuesday, December 14, 1976, indices.

THEATRES (Cont)

CINEMAS

ART GALLERIES

OFFSHORE AND OVERSEAS FUNDS

United States Tst. Intl. Adv. Co.,
14, Rue Aldringer, Luxembourg.

U.S. Tst. Inv. Fnd.	$US11.54	−0.05	0.87

Net asset value Dec. 14.

S. G. Warburg & Co. Ltd.
30, Gresham Street, EC2. 01-600 4555

Cnv. Bd. Dec. 14	$US9.02	+0.04	—
Energy Int. Dec. 14	$US14.50	−0.21	—
Gr. St. $Fd. Nov. 30	$US6.99	......	—

Warburg Invest. Mngt. Jrsy. Ltd.
1 Charing Cross, St. Helier, Jsy. CI. 0534 28043

CMF Ltd. Nov. 25	$US9.65	9.98	......	—
CMT Ltd. Nov. 25	£9.22	9.46	......	—
Metals Tst. Nov. 18	£12.27	12.57	......	—
TMT Dec. 9	$US10.74	11.01	......	—
TMT Ltd. Dec. 9	£10.82	11.10	......	—

World Wide Growth Management
10a, Boulevard Royal, Luxembourg.

WorldWideGth.Fd.	$US11.85	−0.04	—

NOTES

Prices do not include $ premium, where applicable, and are in pence unless otherwise indicated. Yields % (shown in last column) allow for all buying expenses. a Offered prices include all expenses. b Today's prices. c Yield based on offer price. d Estimated. g Today's opening price. h Distribution free of U.K. taxes. x Offered price includes all expenses except agent's commission. y Offered price includes all expenses if bought through managers. z Previous day's price. ¥ Net of tax on realised capital gains unless indicated by ♦. ¶ Guernsey yield. ● Suspended. ‡ Single premium insurance bonds. ♦ Yield before Jersey tax.

FT SHARE INFORMATION SERVICE

**BRITISH FUNDS

"Shorts" (Lives up to Five Years)

1976 High	Low	Stock	£	+ or –	Yield Int.	Yield Red.
98⅞	95⅜	Treasury 6¾pc 1977‡‡	98⅜	......	6.36	14.06
97¾	94½	Electric 3pc 74-77	97½	......	3.08	13.59
103⅞	97⅛	Treasury 11½pc '77‡‡	98⅞	+⅛	11.64	13.03
95⅛	91⅞	Treasury 3pc '77‡‡	94⅛	......	3.18	9.85
95⅞	92¼	Transport 4pc '72-77	95¼xd	–⅛	4.18	8.48
99⅞	90½	Treasury 9pc 1978‡‡	95⅞	+⅛	9.41	12.82
101½	93⅝	Treasury 10½pc '78‡‡	96⅞xd	+⅛	10.83	12.78
95¾	89⅝	Exch. 5pc '76-78	90⅞	......	5.50	10.75
103⅞	92⅞	Treasury 11¼pc '78‡‡	94⅞	–⅛	12.11	14.18
93¼	92⅞	Treas. 11½pc '79 'A'‡‡	94⅞	–⅛	12.11	14.17
88⅞	82¼	Treasury 3pc '79‡‡	84⅛	–⅛	3.56	9.66
89⅞	82¼	Electric 4¼pc '74-79	85⅛	+⅛	4.99	10.52
100⅞	88⅞	Treasury 10½pc '79‡‡	91⅛	......	11.45	14.08
88⅛	82¼	Electric 3½pc '76-79	84⅜	+⅛	4.15	9.78
96⅞	84½	Treasury 9pc 1980‡‡	87⅜	–⅛	10.31	14.02
96½	84⅞	Treasury 9½pc '80‡‡	88	–⅛	10.80	14.04
86	78¼	Treasury 3½pc '77-80	82⅝xd	+⅛	4.25	9.55
89½	80	Funding 5¼pc '78-80‡‡	82¾	......	6.34	11.37
96⅞	96⅛	Exch. 13pc 1980‡‡	96⅞	–⅛	13.48	14.18
103⅞	86½	Treasury 11½pc 1981‡‡	92⅞xd	+⅛	12.49	14.14
86	76¼	Treasury 3½pc 1979-81	78	+⅛	4.49	10.03
95⅝	82⅞	Treasury 9¾pc 1981‡‡	86⅛	......	11.29	14.06

Five to Fifteen Years

1976 High	Low	Stock	£	+ or –	Yield Int.	Yield Red.
94⅛	79⅞	Treasury 8½pc '80-82‡‡	81¼xd	......	10.37	13.55
71⅞	69¾	Treasury 3pc '82‡‡	71⅛	......	4.25	10.51
100⅞	98⅛	Treasury 14pc '82‡‡	100½	......	14.17	14.32
107¼	83⅞	Treasury 12pc 1983‡‡	93⅝	......	13.24	14.29
81⅛	69⅝	Funding 5½pc '82-84‡‡	70⅝xd	–⅛	7.74	11.61
87⅝	74¼	Treasury 8¼pc '84-86‡‡	75¼xd	+⅛	11.21	13.00
74⅞	60½	Funding 6½pc '85-87‡‡	64⅝	+⅛	10.18	12.93
77⅝	65½	Treasury 7¾pc '85-88‡‡	69⅞	–⅛	11.59	13.60
51¼	44⅜	Transport 3pc '78-88	47⅛xd	–⅛	6.35	11.29
59¼	48	Treasury 5pc '86-89	51¾	+⅛	9.82	12.94
103¼	87	Treasury 13pc 1990‡‡	87½xd	–⅛	14.69	15.03

Over Fifteen Years

Undated

**INTERNATIONAL BANK

**CORPORATION LOANS

COMMONWEALTH & AFRICAN LOANS

LOANS (Miscel.)

FOREIGN BONDS & RAILS

U.S. $ & DM prices exclude inv. $ premium

AMERICANS

S.E. List Premium 38⅝% (based on $US1.6837 per £)

Conversion factor 0.7224 (0.7163)

CANADIANS

1976 High	Low	Stock	£	+ or –	Div. Gross	C'vr	Y'ld Gr's
14¼	10½	Bk. Montreal $2	10⅞	–⅛	$1.00	—	5.4
20¼	14½	Bk. Nova Scot $C1	15⅞	–¼	$1.72	—	3.2
46¼	33¼	Bell Canada 25c	37¼	....	$3.72	—	5.9
23⅝	12	Bow Valley‖	18⅛	–⅛	10c	—	0.3
10	780p	Brascan‖	940p	–10	s$1.00	—	6.2
29⅞	16⅞	Can. Imp. Bk. $2	19¼	–¼	$1.40	—	4.5
16⅞	10⅞	Can. Pacific $5	12½	......	93c	—	4.4
29⅞	25¼	Do. 4pc Deb. £100	26	+⅛	4%	—	15.4
37⅞	17½	Gulf Oil Can.‖	18¼	......	$1.00	—	3.2
670p	345p	Hawker Sid. Can.‖	355p	+10	36c	—	6.0
33	21	Hollinger $5	22	–½	$1.80	—	4.8
18	10⅞	Hudson's Bay ‖	30⅞	–⅛	60c	—	3.2
34⅝	25½	Hud. B. Oil G. $2½	28¼	+¼	Q152c	—	3.2
22½	15	Imperial Oil‖	16	+⅝	86.4c	—	3.2
31½	19½	Inco	24½	....	$1.40	—	3.4
920p	660p	Int. Nat. Gas $1	760p	+10	80c	—	6.2
25½	16	Massey Ferg.‖	19	......	$1.00	—	3.1
27⅞	20¼	Pacific Pet. $1	22¾	......	86.4c	—	2.3
38½p	24p	Place Gas $1	26½p	......	—	—	—
30¾	21¼	Rio Algom	21¼	–⅛	$1.00	—	2.8
27¼	18⅞	Royal Bk. Can. $2	19¼	+⅛	$1.38	—	4.2
28⅛	16½	Seagram Co. C$1	17¼	+¼	86.4c	—	2.9
18⅞	15⅛	Tor. Dom. Bk. $1	14¼	–½	76c	—	3.1
11½	830p	Trans. Can. P. pe 33½c	990p	......	95c	—	5.6

S.E. List Premium 38⅝% (based on $1.7121 per £)

BANKS AND HIRE PURCHASE

1976 High	Low	Stock	Price	+ or –	Div Net	C'vr	Y'ld Gr's	P/E
390	251	ANZ $A1	290	......	†Q14.9	—	3.3	—
250	135	Alexanders D. £1	172	–13	11.67	—	10.4	—
£110	£80	Algemene Fl.100	£99½	–½	†Q21%	2.6	5.2	10.3
490	255	Allen Harvey £1	325	–25	25.0	—	11.8	—
128	76	Allied Irish	86	......	†Q6.89	—	8.0	—

Hire Purchase, etc.

BEERS, WINES AND SPIRITS

BUILDING INDUSTRY—Continued

BUILDING INDUSTRY, TIMBER AND ROADS

CHEMICALS, PLASTICS

CINEMAS, THEATRES AND TV

DRAPERY AND STORES

DRAPERY AND STORES—Continued

ELECTRICAL AND RADIO

ENGINEERING, MACHINE TOOLS

ENGINEERING—Continued

FOOD, GROCERIES, ETC.

HOTELS AND CATERERS

HOTELS—Continued

INDUSTRIALS (Miscel.)

INDUSTRIALS—Continued

[illegible]

INSURANCE

[illegible]

MOTORS, AIRCRAFT TRADES

Motors and Cycles

[illegible]

Commercial Vehicles

[illegible]

Components

[illegible]

Garages and Distributors

[illegible]

NEWSPAPERS, PUBLISHERS

[illegible]

PAPER, PRINTING, ADVERTISING

[illegible]

PROPERTY

[illegible]

PROPERTY—Continued

[illegible]

SHIPBUILDERS, REPAIRERS

[illegible]

SHIPPING

[illegible]

SHOES AND LEATHER

[illegible]

SOUTH AFRICANS

[illegible]

TEXTILES

[illegible]

TOBACCOS

[illegible]

TRUSTS, FINANCE, LAND

Investment Trusts

[illegible]

TRUSTS—Continued

[illegible]

TRUSTS—Continued

[illegible]

Finance, Land, etc.

[illegible]

OILS

[illegible]

OVERSEAS TRADERS

[illegible]

RUBBERS AND SISALS

[illegible]

TEAS

India and Bangladesh

[illegible]

Sri Lanka

[illegible]

Africa

For Bandanga Hldgs. see Purbeck Grp.

[illegible]

MINES

CENTRAL RAND

[illegible]

EASTERN RAND

[illegible]

MINES—Continued

FAR WEST RAND

1976 High	1976 Low	Stock	Price	+ or −	Div Net	Cvr	Y'ld Gr's
710	250	Blyvoor 25c	330	......	‡Q75c	1.6	‡
£14	440	Buffels R1	615xd	+5	‡Q125c	1.6	‡
*140	70	Deelkraal R0.20	80	......	—	—	—
760	125	Doornfontein R1	215	......	‡Q55c	2.2	‡
965	330	East Drie R1	570	+10	‡Q75c	1.7	‡
280	122	Elandsrand Gld. 20c	155	−5	—	—	
190	44	Elsburg R1	95xd	+1	Q9½c	φ	‡
£16½	520	Hartebeest R1	925	......	‡Q190c	1.3	‡
695	260	Kloof Gold R1	375	−5	‡Q47c	1.5	‡
760	140	Libanon R1	300	−5	‡Q20c	2.0	‡
740	230	Southvaal 50c	340	......	Q6c	φ	1.3
245	92	Stilfontein 50c	135xd	......	Q22c	φ	‡
£20¾	700	Vaal Reefs 50c	£10	......	Q110c	φ	‡
420	48	Venterspost R1	135	......	Q25c	3.6	13.4
£35	£11¼	W. Drie R1	£12¼	+⅛	‡Q335c	1.5	‡
315	68	Western Areas R1	135xd	+1	‡Q52c	1.4	‡
£15¼	480	Western Deep R2	740	+5	Q40c	φ	‡
290	100	Zandpan R1	170	......	‡Q31½c	1.0	‡

O.F.S.

1976 High	1976 Low	Stock	Price	+ or −	Div Net	Cvr	Y'ld Gr's
170	60	Free State Dev. 50c	105	......	Q9c	0.6	6.2
£22½	715	F.S. Geduld 50c	£10½	+⅛	Q200c	φ	13.8
200	50	F.S. Saaiplaas R1	80	......	6c	2.6	5.4
465	170	Harmony 50c	285	+5	‡Q65c	1.9	‡
195	38	Loraine R1	77	+1	Q6c	0.5	5.6
£18½	600	Pres. Brand 50c	887	......	Q170c	φ	13.9
£13	395	Pres. Steyn 50c	630	−10	Q45c	φ	5.2
£23⅛	750	St. Helena R1	£10⅞	+⅛	Q170c	2.1	11.3
174	70	Unisel	126	......	—	—	—
330	125	Welkom 50c	150	−5	Q15c	φ	7.2
£25½	950	W. Holdings 50c	£13¾	+¼	Q310c	φ	16.3

FINANCE

1976 High	1976 Low	Stock	Price	+ or −	Div Net	Cvr	Y'ld Gr's
535	315	Ang. Am. Coal 50c	425	+10	MQ38c	2.8	6.5
375	185	Ang. Amer. 10c	230	......	Q33c	1.9	10.4
£28¾	£10½	Ang. Am. Gold R1	£14½	+⅛	‡Q260c	1.3	‡
£13¼	600	Ang-Vaal 50c	800	......	Q105c	3.3	9.6
199	101	Charter Cons.	123	−1	†6.76	2.4	8.4
220	113	Cons. Gold Fields	153	−3	7.37	2.1	7.4
23½	13	East Rand Con. 10p	15½	−½	1.0	2.2	9.9
330	150	Geduld Inv. R1	240	......	Q40c	1.5	12.1
£25	£12¾	Gen. Mining R2	£13	......	Q210c	2.1	11.7
£20⅝	10	Gold Fields S.A. 25c	£12	......	Q155c	1.2	9.3
£24	£11½	Jo'burg Cons. R2	£13¾	......	Q170c	2.2	9.0
380	195	Middle Wit 25c	215	......	‡Q35c	1.2	‡
250	154	Minorco SBD1.40	156	......	Q2c	0.7	0.8
160	56	New Wit 50c	90	+2	Q16c	1.0	14.5
£14⅝	770	Patino NV Fls.5	£12¼	+¼	QC65c	0.8	3.5
810	310	Rand Selection 50c	355	−5	Q65c	φ	‡
543	355	Selection Trust	425	......	15.2	1.5	5.5
230	98	Sentrust 10c	125xd	......	‡Q30c	1.4	‡
66	29½	Silvermines 2½p	33	......	3.0	1.6	14.0
£12½	700	Tvaal. Cons. Ld. R1	909	......	Q75c	2.4	6.0
310	110	U.C. Invest R1	145	......	‡Q36c	1.0	‡
465	175	Union Corpn. 6.25c	215	......	‡Q36c	1.4	12.1
90	45	Vogels 2½c	65	......	†Q6½c	1.2	7.2

DIAMOND AND PLATINUM

1976 High	1976 Low	Stock	Price	+ or −	Div Net	Cvr	Y'ld Gr's
£32½	£17½	Anglo-Am. Inv. 50c	£19¾	−¼	‡Q344c	1.6	9.0
122	66	Bishopsgate Plt. 10c	68	+2	‡Q8c	φ	8.5
335	182	De Beers Dfd. 5c	185	+2	Q28c	2.2	10.9
£14	850	Do. 40pc Pf. R5	850xd	......	Q200c	12.0	17.0
128	68	Lydenburg 12½c	68	......	Q7.2c	φ	7.7
123	92	Rus. Plat. 10c	93	+1	Q10c	3.2	7.8

CENTRAL AFRICAN

1976 High	1976 Low	Stock	Price	+ or −	Div Net	Cvr	Y'ld Gr's
165	52	Coronation 25c	52	......	Q5c	φ	‡
130	68	Falcon Rh. 50c	100	......	Q35c	φ	—
25	9	Rhod'n Corp. 16⅔p	14	+1	0.56	6.0	6.1
195	120	Roan Cons. K4	140	......	—	—	—
178	140	Tanganyika 50p	150	......	Q10.0	0.8	6.7
70	65	Do. Pref. 80p	70	......	Q9	10.2	10.3
54	25	Wankie Col. Rh.1	37	......	Q7½c	1.5	—
46	15	Zam. Cpr. SBD0.24	15	......	—	—	—

AUSTRALIAN

1976 High	1976 Low	Stock	Price	+ or −	Div Net	Cvr	Y'ld Gr's
33	17	Acmex 25c	27	......	—	—	—
323	132	A. M. and S. 50c	232	......	φ†Q7c	1.5	1.9
165	96	Bougainville 50 Toea	109	−2	Q10c	φ	5.8
235	100	BH South 50c	105	+2	—	—	—
75	3	G.M. Kalgoorlie $1	20	......	—	—	—
106	58	Hampton Areas 5p	76	......	13	5.0	2.6
86	27	Metals Ex. 50c	32	−2	—	—	—
24	12	Metramar 20c	13	......	—	—	—
294	184	M.I.M. Hldgs. 50c	208	−1	Q4½c	1.8	1.3
105	25	Mount Lyell 25c	28	......	—	—	—
3	2	Newmetal 10c	2	......	—	—	—
113	69	North B. Hill 50c	92	+2	Q9c	1.3	6.0
9	5	Nth. Kalgurli	6	......	—	—	—
112	65	Oakbridge $A1	88	−2	Q9c	1.5	6.5
36	14	Pacific Copper 25c	20	......	—	—	—
£19½	675	Pancont'l 25c	775	......	—	—	—
17	9	Paringa M&Ex. 5p	9	......	—	—	—
492	310	Peko-Wallsend 50c	370	+5	Q15c	φ	2.5
300	60	Poseidon 20c	75#	......	—	—	—
13	6	Vulcan Min. 50c	8	......	—	—	—
9	4	Westmex 10c	5	......	—	—	—
*199	127	Westn. Mining 50c	143	−4	Q5c	1.3	2.2
75	36	Whim Creek 20c	60	......	—	—	—

TINS

1976 High	1976 Low	Stock	Price	+ or −	Div Net	Cvr	Y'ld Gr's
45	28	Amal. Nigeria	30	......	0.93	0.9	4.8
355	160	Ayer Hitam $M1	355	......	23.0	1.4	10.0
32½	17	Beralt Tin	25	−1	24.0	2.8	24.6
415	315	Berjuntai $M25	390	+10	†QM0.5	φ	10.5
265	155	Geevor	240	......	5.0	—	3.2
14	6	Gold & Base 12½p	9	......	—	—	—
250	170	Gopeng Cons.	225	......	†11.0	1.3	7.5
80	64	Hongkong	75	......	—	—	—
70	56	Idris 10p	61	......	7.15	1.5	19.0
7½	6	Jantar 12½p	7	......	—	—	—
42	31	Kamunting 15p	35	......	±7.0	1.2	‡
280	135	Killinghall	250	......	Q50.0	φ	19.2
240	168	Malay Dredging	207	......	11.0	1.1	8.2
38	20	♦Pahang	27#	......	Q2.5	φ	‡
55	40	Penckalen 10p	50	......	±7.0	1.5	‡
135	104	Petaling $M1	133	......	Q12½c	—	2.9
53	19	Saint Piran	49	−4	†1.25	2.5	4.0
100	64	South Kinta (10p)	72	......	7.5	0.6	16.0
200	105	Sthn. Malayan	173	......	11.8	1.1	10.5
51	31	Sungei Besi $M1	51	......	—	—	—
44	29	Sungei Way $M1	44	......	‡Q10	—	5.6
48	40	Tanjong 15p	40	......	4.64	0.9	17.8
52	40	Tongkah Hrbr. $M1	43	......	Q16⅞c	0.3	‡
110	58	Tronoh $M1	104	......	†4.29	2.0	6.3

COPPER

1976 High	1976 Low	Stock	Price	+ or −	Div Net	Cvr	Y'ld Gr's
65	35	Botswana RST P2	40	+2	—	—	—
355	140	Messina R0.50	140xd	......	Q45c	2.8	23.2

MISCELLANEOUS

1976 High	1976 Low	Stock	Price	+ or −	Div Net	Cvr	Y'ld Gr's
10	8	Burma Mines 17½p	9	......	0.1	φ	1.8
35½	15½	Charterhall 5p	19½	−½	—	—	—
990	550	Cons. Murch. 10c	550	......	Q140c	φ	20.0
440	245	Northgate C$1	575	−5	—	—	—
239	132	R.T.Z.	167	−2	g5.96	2.1	5.5
112	55	Sabina Inds. C$1	65	+2½	—	—	—
£15⅞	£10	Tara Exptn. $1	£12	−⅛	—	—	—
45	32½	Tehidy Minerals 10p	38	......	†h1.08	φ	4.4
145	64	Yukon Cons. C$1	123	......	—	—	—

NOTES

Unless otherwise indicated, prices and net dividends are in pence and denominations are 25p. Estimated price/earnings ratios and covers are based on latest annual reports and accounts and, where possible, are updated on half-yearly figures; they are adjusted to ACT of 35 per cent. P/Es are calculated on the basis of net distribution; bracketed figures indicate 10 per cent. or more difference if calculated on "nil" distribution. Covers are based on "maximum" distribution. Yields are based on middle prices, are gross and allow for value of declared distributions and rights. Securities with denominations other than sterling are quoted inclusive of the investment dollar premium.

- A Sterling denominated securities which include investment dollar premium.
- • "Tap" Stock.
- * Highs and Lows marked thus have been adjusted to allow for rights issues for cash.
- † Interim since increased or resumed.
- ‡ Interim since reduced, passed or deferred.
- ‡‡ Tax-free to non-residents.
- φ Figures or report awaited.
- †† Unlisted security.
- ¢ Price at time of suspension.
- § Indicated dividend after pending scrip and/or rights issue: cover relates to previous dividend or forecast.
- ** Free of Stamp Duty.
- ♦ Merger bid or reorganisation in progress.
- ♣ Not comparable.
- ♠ Same interim: reduced final and/or reduced earnings indicated.
- ¶ Forecast dividend; cover on earnings updated by latest interim statement.
- ‡ Cover allows for conversion of shares not now ranking for dividends or ranking only for restricted dividend.
- ☆ Cover does not allow for shares which may also rank for dividend at a future date. No P/E ratio usually provided.
- ▼ Excluding a final dividend declaration.
- ÷ Regional price.
- ‖ No par value.

a Tax free. b Figures based on prospectus or other official estimate. c Cents. d Dividend rate paid or payable on part of capital, cover based on dividend on full capital. e Redemption yield. f Flat yield. g Assumed dividend and yield. h Assumed dividend and yield after scrip issue. j Payment from capital sources. k Kenya. m Interim higher than previous total. n Rights issue pending. q Earnings based on preliminary figures. r Australian currency. s Dividend and yield exclude a special payment. t Indicated dividend: cover relates to previous dividend, P/E ratio based on latest annual earnings. u Forecast dividend: cover based on previous year's earnings. v Tax free up to 30p in the £. w Yield allows for currency clause. y Dividend and yield based on merger terms. z Dividend and yield include a special payment: Cover does not apply to special payment. A Net dividend and yield. B Preference dividend passed or deferred. C Canadian. E Issue price. G Assumed dividend and yield after pending scrip and/or rights issue. H Dividend and yield based on prospectus or other official estimates for 1976-77. K Figures based on prospectus or other official estimates for 1976-77. M Figures based on prospectus or other official estimates for 1976. N Dividend and yield based on prospectus or other official estimates for 1976. Q Gross. T Figures assumed. U No significant Corporation Tax payable. Z Dividend total to date.

Abbreviations: xd ex dividend; xc ex scrip issue; xr ex rights; xa ex all; xd ex capital distribution.

"Recent Issues" and "Rights" Page 39

This service is available to every Company dealt in on Stock Exchanges throughout the United Kingdom for a fee of £325 per annum for each security

FINANCIAL TIMES

Thursday December 16 1976

Miners' vote favours industrial action

BY ALAN PIKE, LABOUR STAFF

THE NATIONAL Union of *Mineworkers'* early retirement campaign now moves into its next and most crucial stage following yesterday's predictable heavy ballot vote in favour of industrial action.

It is at this point that moderates in the union leadership hope that they will be able to secure an acceptable compromise agreement with the National Coal Board without having to use the industrial action weapon overwhelmingly handed to them by their members.

A total of 78 per cent. of the 204,134 miners taking part in the ballot followed an executive recommendation to reject the Coal Board's offer on early retirement and authorise industrial action if necessary. Voting was 158,765 (78 per cent.) for the executive recommendation and 45,369 (22 per cent.) against in a 77.5 per cent. poll.

The next move will be more *talks between the union and the* Coal Board. There is bound to be an informal exchange of views when the two sides meet on other issues to-morrow, but the union executive is not due to consider the ballot result *until Tuesday*.

With Christmas intervening this means it may be January—the date by which the union is demanding a reduction in the retirement age from 65 to 60—before new negotiations begin in earnest.

After the ballot result was declared, Mr. Lawrence Daly, NUM general secretary, said he believed the union's aims could be met within the social contract, although not until after the present phase *of incomes* policy expires in July.

Discussions shortly to take place within the trade union movement would aim at achieving a much more flexible phase three, and this gave him hope *that it would* be possible to reach agreement with the TUC and Government on an improved offer.

"I don't think there would be any desire on the part of the majority of the members of the NUM, who have twice endorsed the social contract, to seek any confrontation with either the Coal Board, the Government, or the TUC on the question of early retirement." Mr. Daly said.

More talks

He said that in addition to further negotiations with the Coal Board there would inevitably be talks with the TUC and Government. Only in the light of the outcome of all these discussions *would the question of any* industrial action arise.

At present, there is a wide gap between the union's demand for retirement at 60 from next year, with staged reductions to 55 by 1980, and the Coal Board's *more limited proposals*. The Board has offered a staged scheme leading to voluntary retirement at 62 for underground workers with at least 25 years service, but this is certain to be improved in negotiation.

An obvious area for improvement is in the 25-year qualifying period, but the Board will be anxious to ensure that any scheme eventually agreed reflects the special claim of underground workers to early retirement, and that it does not further hamper the industry's productivity difficulties by creating impossible manpower shortages.

The Board will continue to make it clear that the industry cannot finance early retirement *itself, leaving the Government* to meet the cost.

All the major coalfields exceeded the overall 78 per cent. vote in favour of the executive in yesterday's ballot. The highest votes in favour—92 per *cent.—were in South Wales and* Scotland, followed by 89 per cent. in Yorkshire, and 88 per cent. in Kent.

Mr. Arthur Scargill, the Left-wing Yorkshire area president, reacted to the result by repeat*ing that only* a "meaningful response" from the Coal Board which included both underground and surface workers would be acceptable.

Details Page 8

Next pay policy stage 'should last two years'

BY MICHAEL BLANDEN

THE GOVERNMENT should consider making the next stage of the wages policy, due to begin in July, run for two years, the latest issue of the Bank of England Bulletin, said to-day.

In its assessment of the economic situation the Bank suggests that the Government *will face major problems in* making the fall in living standards required in the next year *or two acceptable. It is question*able, the Bank says, whether all the necessary wage adjustments can be made in one year.

The assessment, prepared on December 8 while discussions to finalise yesterday's economic package were still *going* on in the Cabinet, provides the general background for the latest round of measures.

Urgent aim

It underlines the need for a *major adjustment in the U.K.* but, at the same time, stresses the importance of other countries taking action to avoid a continued world recession.

The main priorities for U.K. policy outlined by the Bank are *to keep inflation under control* and, as "an urgent aim," to ensure that the balance of payment deficit is eliminated quickly. At the same time, the Bank points to the importance of maintaining confidence in *sterling*.

Controlling inflation will require continued restraint on incomes and close control over the pace of monetary expansion. The present incomes policy has helped to halve the rate of *price inflation but, after the* present pause, this will have to be reduced further.

Even without any general wage rises, adjustments including consolidation in relation to bonuses and overtime pay, could *increase wage costs by more* than can be afforded at present.

Imposing a two-year period for the next phase of wages policy "might appear a hard remedy," the Bank recognises. "But, in present circumstances, it is likely to prove hard to maintain employment. Prospects of success will be greater if the pace of cost and price increases is being effectively contained."

In the same context, the Bank *comments that keeping monetary* expansion under restraint "will be easier if the public sector borrowing requirement can be seen to be falling in money terms as well as in proportion to gross domestic product."

*Figures in the Bulletin demon*strate the reasons for the current strict restraint on bank lending with the re-introduction of the so-called corset controls. They show that domestic credit expansion, the figure of most interest to the International Monetary Fund, was nearly £3bn. in the third quarter of the year — well above the level which the Government had forecast.

Prospects for the balance of payments, the Bank says, now *appear more favourable, in spite* of the deterioration in recent months. The Bulletin underlines the effects of the sharp fall in sterling and the difficulties which the authorities have faced, with diminishing reserves, in *sustaining support operations.*

In recent months, the Bank says, intervention has been smaller than earlier in the year and "the need to conserve official reserves became an increasingly important constraint on the amount of official intervention."

But, there is a prospect of the external payments moving into current balance by the end of next year, provided there is a moderately rapid rate of growth *in world trade. This depends,* however, on countries such as the U.S. and Germany adopting more expansionary policies.

In conclusion, the Bank comments that much of the diversion of real resources required to adjust to the rise in oil prices has still to be made. The U.K., with the prospect of North Sea oil, is in a better position than many countries, the Bank suggests, to overcome resulting tensions.

Details Page 7

THE LEX COLUMN

The slow path to virtue

The market's reaction to the mini-Budget was decisive, and opinion in the City appeared to be unanimous. Both the gilt-edged and equity markets were vulnerable following several weeks of price strength. But the late declines last night — which dropped the F.T. Index by more than eight points between 3 p.m. and the close — reflected more than just a technical reaction.

The hope had been, first of all, that the Chancellor would signal a decisive shift away from the public sector and towards industry. *Instead, he has* produced another list of half-hearted measures which only marginally affect the fundamental imbalances in the economy. And the second main hope — that the IMF would insist upon rigorous and clearly defined monetary targets — is also largely unfulfilled. The Government has evidently managed to persuade the IMF that the economy will be too weak next year to permit a *radical* change of direction.

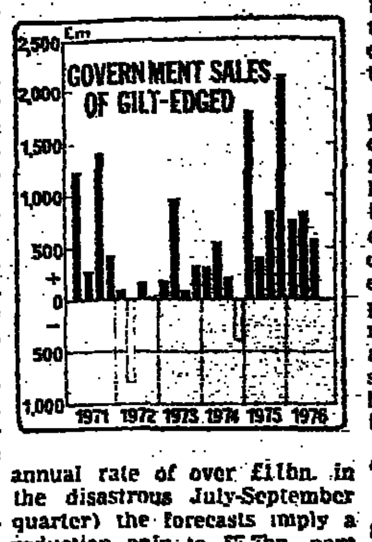
As has been suspected, the Government has had to start from a very weak base in terms of the projected public sector *borrowing requirements* over the next two years. So even after the projected measures the PSBR works out at £8.6bn. for 1978-79, and at that stage will only be falling very slowly *as a percentage of gross domes*tic product. For comparison, the latest estimate for the current year is just over £11bn., falling to £8.7bn. in 1977-78.

Money supply

Against this background the Government has had to make a choice between operating very tight monetary limits and thus crippling the private sector, or *settling for looser restraints at* the expense of being more tolerant of inflation. It has opted for the latter. There are no specific targets for growth in the money supply (M3) as such beyond the current financial year, for which the upper limit has in fact been raised from 12 to 13 per cent. For its longer-term projections the Government is concentrating on domestic credit expansion — and the cynic will say this is because M3 will be rising at a much faster rate if the balance of payments comes right, as the Chancellor is projecting.

Even so, the projections for DCE are surprisingly high. After £9bn. in 1976-77 (and an

Index fell 10.5 to 313.8



annual rate of over £11bn. in the disastrous July-September quarter) the forecasts imply a reduction only to £7.7bn. next year and £6bn. or so in 1978-79. This could *be* equivalent to an effective growth in money supply next year which would be much in line with the calendar 1977 of 15 per cent. [The rise in the RPI during 1978 should be "very substan*tially below this figure.*"]

These DCE figures could mean that the pressure to keep gilt-edged sales running at such high levels may be less. But the Chancellor emphasised that he *would still be financing the bulk* of the PSBR through sales of debt to the non-bank private sector, implying the intention to leave room for a reasonable expansion of bank lending *to the private* sector. And the gilt market may well calculate that the DCE figures include a sizeable margin for error.

Mr. Healey has, at least, offered the *promise* of a reduction in interest rates which "may be slow at first" but could accelerate later. This is certainly compatible with the picture of an economy stuck in a prolonged recession. The first step, in fact, could come this week, for Treasury Bill rates in the money market yesterday were indicating a half-point cut in MLR on Friday: last night's weakness of sterling, however, must put this in some doubt.

Financial surplus

For the corporate sector the forecasts seem to imply a continuing financial surplus, which contrasts a little strangely with the Treasury's expect a marked rise in manu investment and stock But as the flow of N revenue builds up it to be necessary to kee eye open for distortion these overall sector fi

The only good news panies from this pack essentially negative the threat of crow has receded somewh individual sectors h out pretty well in expectations—perhaps exception of construc paines which, for recent lobbying, hav a quarter of all t spending cuts. On hand the durable go facturers have got off

Tobacco duty

Duty rises of a te the drinks trade ar less, the practicable adding less than 1p t beer. So the recen brewery shares look been well founded. T in the tobacco duty r in how it impinges up rent price war, since panies may again absorbing part of th in order to streng positions in the kind ket. With this yet to there is no reason to Imps will reverse t p..ce weakness it ha m.. of this year.

The only surprise BP share sale is that take place until ne year. Politics here have got in the wa cial common sense, s as the disposal coul smoothly arranged are obvious risks. Meanwhile the shad share price — which 720p yesterday — for some months.

In conclusion, Budget is likely t steam out of the markets over the even though, on a l it may not make n ence to the basic pi is a new factor in th will be closely invo management of the several years ahead Government is still high risk economi financial terms; an focus on the s behaviour of sterlin itself is an indicat continuing uncertai

Bevan confirmed as Labour youth officer

BY RUPERT CORNWELL, LOBBY STAFF

LABOUR'S Left-dominated National Executive Committee handed out a stinging rebuff yesterday to the Prime Minister when it confirmed the self-confessed Trotskyist Mr. Andy Bevan as the party's Youth Officer.

The NEC decision, taken by 15 votes to 12 after more than two hours of tense and sometimes angry discussion, puts the controversial appointment beyond doubt. Mr. Bevan, 24, starts *work at* Transport House early in January.

But it has paved the way for further trouble with the party agents' union, the National Union of Labour Organisers, which is still adamantly opposed to Mr. Bevan: and *will* add *fuel* to the arguments about extremists infiltrating into the Labour hierarchy.

Mr. Ron Hayward, the general secretary, and Mr. Reg Underhill, the chief agent, now face the daunting task of working out a compromise with the agents, who are vital to Labour's constituency machine.

Despite weeks of effort to make it change its mind, the agents' union is maintaining its refusal to co-operate with Mr. Bevan, even though Mr. Hayward stressed that now the appointment had been confirmed the newcomer was entitled to full support from everyone.

At the meeting Mr. Callaghan made a last effort to turn the tide, *arguing that it would be a* profound mistake to name a prominent member of the militant Trotskyist faction as national Youth Officer. The Prime Minister warned that the consequence would be further attacks against the party and more internal difficulties. The best thing would be to readvertise the post, he said.

His plea, although supported by other NEC moderates, by the *Deputy Leader Mr. Michael* Foot, and Mr. Hayward, was of no avail.

In his report to the NEC, the general secretary said Mr. Bevan had not kept assurances he had given, above all that he would break his links with militants and give full backing to policies laid down by party conference.

Mr. Foot's stand for its part earned a biting comment from a leading Left-winger, Mr. Frank Allaun, who said he was shocked that the Deputy Leader "should have sullied a life-time's work for democracy" by seeming to oppose the appointment.

Those who backed Mr. Bevan included Mr. Benn, the Energy Secretary, and other leading Left-wing MPs such as Mr. Eric *Heffer and Mr. Ian Mikardo*, who said that a decision already taken by the NEC and endorsed by conference could not be overturned.

Mr. Bevan was the victim of a witch-hunt against the Left instigated by the Tory Press, they claimed, and rubbed in the point by winning unanimous NEC support for a motion rejecting "a further descent into McCarthyism" which would only confuse people further about Britain's real crisis.

Another motion, sponsored by two moderates, seeking a further examination of a report prepared eight months ago by Mr. Underhill on extremists joining the party was put back a month.

The explanation given was lack of available time. But the postponement is clearly a tactical setback for moderate Labour MPs who had been hoping a more assertive line would pay early dividends in the battle to reduce the impact of the Left.

Resignation brings Schroders shake-up

BY MARGARET REID

A MAJOR shake-up at the top of one of the City's merchant banking groups is taking place with the impending departure, likely to be announced to-day, of Mr. James Wolfensohn, deputy chairman and chief executive of Schroders.

Mr. Wolfensohn, who is 42 and an Australian, had a meteoric acreer after being appointed in 1965 to run Schroders' Australian subsidiary, Darlings. In 1970 he was the first Australian to head a U.S. bank when he became president of Schroders Inc. in New York. Four years later he took over the posts of deputy chairman and chief executive of the Schroders Group, which includes the leading City merchant bank, J. Henry Schroder Wagg.

It appears that Mr. Wolfensohn's departure, which is by mutual agreement, reflects the fact that there was no consensus within the group that he was the right man ultimately to succeed Mr. Michael Verey, the present chairman.

Mr. Verey, who is 64 and chair*man of the* Accepting Houses Committee of London's top merchant banks, took over as the Schroders group chairman in 1973, succeeding Mr. Gordon Richardson, now Governor of the Bank of England.

No new appointment is expected to be made immediately following the announcement of Mr. Wolfensohn's departure. But, in due course a new deputy chairman is likely to be announced, almost certainly from within the group.

The man then appointed deputy chairman will be chosen with a view to his eventually succeeding to the chairmanship when Mr. Verey retires. The present chairman of J. Henry Schroder Wagg is the Earl of Airlie, *brother* of Mr. Angus Ogilvy, who is Princess Alexandra's husband. The deputy chairman of the bank is Mr. John Hull, a former director-general of the City Take-over Panel, and the vice-chairman is *Mr. Geoffrey Williams, a lead*ing figure in the takeover and company reorganisation field.

Schroders disclosed higher net profits of £2.7m. in 1975, compared with £1.5m. the previous year. In the first six months of *1976*, profits were stated to be higher than a year earlier and it is believed that the group is doing well.

When Mr. Wolfensohn leaves the group, where even as chief executive he has devoted much *of his time to the U.S. side*, Schroders' American business will be presided over by Mr. Mark Maged. Service contracts are not the custom in the Schroder group, and it is apparently not yet settled whether any payment will be made to Mr. Wolfensohn when he leaves.

In recent years, the Schroder group has been developing its business in the Middle East but it insisted that the fact that Mr. *Wolfensohn* is Jewish has had no influence on the change about to be announced.

About 56 per cent. of the Schroders capital is held by the Schroder family, which is understood to be in agreement with the impending change and is represented on the Board by Mr. Bruno Schroder as a non-executive director.

Barclays defends S. Africa loan

BY QUENTIN PEEL

JOHANNESBURG, Dec. 15.

THE MANAGING DIRECTOR of the South African subsidiary of Barclays Bank to-night defended his decision to invest R10m. (£6.6m.) in national defence bonds, launched to help finance the country's soaring defence budget.

Mr. Bob Aldworth, the chief of Barclays National Bank, 63 per cent. owned by the parent *company, described the subscrip*tion as part of the bank's "social responsibility not only to the country at a particular stage in its history, but also to our staff members who have been called upon to do service on our borders."

It is the largest single donation so far to the defence fund, and was presented yesterday to the acting head of South Africa's defence force, Lieutenant-General Bob Rogers. The presentation ceremony was given maximum publicity with a front page photograph, in Johannesburg's major daily paper, the Rand Daily Mail.

South Africa's defence budget has risen dramatically, particularly since the country's abortive involvement in Angola and the steady escalation of guerilla activity on the borders of the disputed territory of Namibia (South West Africa).

"You can't expect to operate in a country and make massive profits if you can't associate with your employees, when you are employing 17,000 people of all races," Mr. Aldworth said. "We do have a large number of our boys called up continually. We stand behind them."

Mr. Aldworth said the investment was part of the bank's long-term liabilities which had by law to be invested in Government stocks. Some of the bank's former investments lapsed to-day, and the £6.6m. investment in defence bonds was designed to replace them.

National defence bonds are classified as Government stocks, and at 9.9¼ per cent. offered slightly more than five-year Government stock at 9.5 per cent.

In London, Mr. Frank Dolling, senior general manager of Barclays Bank International, said that reports that Barclays National Bank had put money into a South African Government "fighting fund" set up to *pay for a possible border war* were "misleading."

The "fund" was a recent issue of Government bonds announced as part of the Government's deficit financing plans.

Continued from Page 1

IMF chief backs package

However, a series of detailed Treasury forecasts accompanying the statement suggest that the increase in the retail price index will still be 15 per cent. on a year-on-year comparison by the fourth quarter of next year. But the Treasury hopes that the underlying rate will start falling again next summer.

Otherwise, the Treasury is forecasting only a gradual improvement in the current account deficit—down from more than £2bn. in the current financial year to about £1bn. in 1977-78 and a surplus in the range of £2bn.-£3bn. in 1978-79.

The main stress throughout the 12-page letter of application is on a stabilisation programme lasting two to three years. Accordingly Mr. Healey also announced yesterday cuts in public spending of £1½bn. in 1978-79, which together with a further fiscal adjustment og about £500m. to be announced nearer the time, is intended to hold the PSBR for that year down to £8.6bn. This represents 5¼ per cent. of Gross Domestic Product at market prices in that year, compared with 9 per cent. in the current financial year.

But if the forecast rate of growth from the beginning of 1978 to the end of 1979 is in excess of 3½ per cent. a year, an additional adjustment will be made of between £500m. and £1bn. at 1976 prices. The intention is to review all the targets after a year in any event.

The letter of application also states that the Government remains firmly opposed to general restrictions on trade and does not intend to introduce restrictions for balance of payments purposes.

But Mr. Healey adds that there may be cases where particular industries which are viable in the long-term are suffering serious injury as a result of increased imports where temporary selective import measures may again be considered.

However, "it will the Government's policy to reduce such protective measures as soon as circumstances permit."

Continued from Page 1

Some Tory approval

might "bounce at the next general election."

Several other general council members including Mr. David Bassnet of the *General and Muni*cipal Workers accused the Government of continuing along the wrong route and urged Ministers to adopt the TUC's alternative economic policies, including import controls.

He too felt that negotiating a new pay agreement for implementation next July would prove more difficult.

Both Mr. Murray, TUC general secretary, and Mr. Jack Jones, of the Transport Workers, main*tained a reasonably low profile* on the cuts. Mr. Murray spoke of the Government having thought hard of ways to minimise the cuts, while Mr. Jones said that some public sector union leaders might even feel relieved that they were not more severe.

The scene is set, however, for a very interesting special meeting of the TUC economic committee to make a close examination of the package.

Adrian Hamilton writes: The *Confederation of British Indus*try yesterday broadly welcomed the Chancellor's measures as a boost to business confidence. But CBI leaders warned they would reserve final judgment until next April, when they hoped the Government would announce a long-term programme for cutting direct taxes.

The CBI criticised the lack of consultation on removing the regional employment premium; expressed dislike of the further defence cuts; and spoke of deep concern about the impact on construction.

In broader terms, however, the CBI leaders seemed pleased the Government had embarked on a programme of expenditure cuts and a promise of direct tax reductions which were in line with the CBI's own "road to recovery" document.

Weather

U.K. TO-DAY

RATHER COLD.

London, E., S.E., Cent. S., W., S.W., Cent. N. England, E. Anglia, Midlands, Channel Isles, Wales

Rather cloudy and misty, rain in places. Wind mainly light. Max. 5C (41F).

N.E. England, Borders, Edinburgh, Dundee, Aberdeen, Moray Firth, N.E. Scotland, Orkney, Shetland

Rather cloudy, wintry showers. Wind light or moderate, N.E. Max. 4C (39F).

Lakes, Isle of Man, W. Scotland, Glasgow, Cent. Highlands, Argyll, N. Ireland

Fog patches at first, mainly dry, some bright periods. Wind mainly light, E. or S.E. Max. 6C (43F).

Outlook: Wintry showers in E.

● The long-range forecast until mid-January, issued yesterday, is: A good deal of dry weather, with some cold spells and more frost than usual, but short disturbed periods.

BUSINESS CENTRES

		Y'day Mid-day °C	°F			Y'day Mid-day °C	°F
Amstrdm.	C	1	34	Manchstr.	R	3	37
Athens	C	12	54	Melbourne	R	16	61
Barcelona	C	11	52	Mexico C.	S	20	68
Belfast	C	5	41	Milan	S	3	37
Belgrade	S	4	39	Montreal	C	−2	28
Berlin	Sn	−1	30	Moscow	S	−4	25
Birmghm.	C	2	36	Munich	F	−3	27
Bristol	C	2	36	Newcastle	Fg	1	34
Brussels	Fg	−2	28	New York	S	1	34
Budapest	C	−1	30	Oslo	C	−7	19
B. Aires	C	20	68	Paris	C	0	32
Cairo	S	24	75	Perth	S	24	75
Cardiff	C	2	36	Prague	C	−3	27
Cologne	Sn	−1	30	Reykjavik	R	6	43
Copnhagn.	C	−1	30	Rio de J'o	C	34	93
Dublin	C	7	45	Rome	C	12	54
Edinburgh	R	3	37	Singapore	S	23	74
Frankfurt	S	0	32	Stockholm	S	0	32
Geneva	C	−2	28	Strasbourg	S	1	34
Glasgow	R	4	39	Sydney	C	31	88
Helsinki	Sn	−2	28	Tehran	S	12	54
Hong Kg.	C	19	66	Tel Aviv	F	19	66
Jo'burg	C	21	70	Tokyo	S	11	52
Lisbon	F	13	55	Toronto	S	2	36
London	S	4	39	Vienna	Sn	−2	28
Luxembg.	S	0	32	Warsaw	Sn	−5	23
Madrid	C	9	48				

HOLIDAY RESORTS

Ajaccio	F	14	57	Las Plms.	C	20	68
Algiers	F	19	66	Locarno	S	2	36
Biarritz	S	11	52	Majorca	S	15	59
Blackpool	R	3	37	Malaga	S	16	61
Bordeaux	F	5	41	Malta	S	14	57
Boulogne	F	1	34	Nairobi	R	21	70
Casablnca.	S	17	63	Naples	S	10	50
Cape Tn.	S	27	81	Nassau	R	20	68
Corfu	C	10	50	Nice	S	11	52
Dubrovnik	C	5	41	Nicosia	C	15	59
Faro	S	13	55	Oporto	S	13	55
Funchal	R	16	61	Rhodes	S	14	57
Gibraltar	C	18	64	Salzburg	C	[illegible]	[illegible]
Guernsey	S	4	39	Tangier	S	17	63
Innsbruck	C	1	34	Tenerife	R	19	66
Inverness	[illegible]	[illegible]	[illegible]	Tunis	S	12	54
Is. of Man	R	4	39	Valencia	S	15	59
Istanbul	C	8	46	Venice	C	1	34
Jersey	S	4	39				

C—Cloudy. F—Fair. R—Rain. S—Sunny. Sn—Snow. Fg—Fog.

Registered at the Post Office. Printed by St. Clement's Press for and published by The Financial Times Ltd., Bracken House, Cannon Street, Lond